High noon at BA
Paying for the damage
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Samuel Brittan
New light on Black Wednesday
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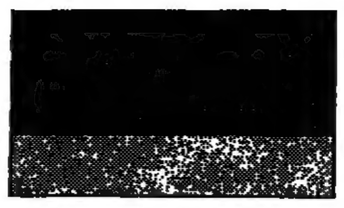

Germany
Biting the bullet on a solidarity pact
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Worldwide farmers lobby
How it manipulates the media
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FT NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper
THURSDAY JANUARY 21 1993
D8523A

Bosnian Serbs approve Geneva peace proposal

Bosnia's Serbs approved the first stage of an international peace plan, accepted by their leader, Dr Radovan Karadzic, in Geneva last week. The self-styled Bosnian Serb parliament voted in favour of the constitutional principles for a future state of Bosnia-Hercegovina, though it was clear that privately most deputies were still deeply opposed. Page 12; Caution on military option, Page 6

Spain to sell off 25% of bank: The Spanish government plans to raise Pta150bn ($1.3bn) by selling a 25 per cent stake in Argentaria, state-owned banking group, the biggest-ever share placement by a Spanish institution. Page 13

Greeks outraged at Danish speech: Greek MEPs described as a "moral and ethical disgrace" remarks by Uffe Ellemann-Jensen, the outgoing Danish foreign minister, calling on Athens to stop blocking EC efforts to recognise Macedonia, the former Yugoslav republic. Page 12

Germany to legislate on insider dealing: Germany is expected to make insider dealing a criminal offence by the end of 1993 and introduce a centralised supervisory body to regulate the securities industry. Page 12

AMR, parent company of American Airlines, reported a $145m operating loss in the final quarter of 1992, bringing AMR's net loss for the year to $935m. Page 13

Japanese wins bitter fight to lead WHO:

Dr Hiroshi Nakajima of Japan won his battle for re-election as director-general of the World Health Organisation in a bitterly contested campaign which pitted Japan against the US. The election was fought amid complaints of vote-buying, with the US accusing Japan of going beyond the limits of persuasive diplomacy. Dr Nakajima's previous five-year term saw a decline in staff morale, and donor discontent over the impact on WHO programmes.

Russia launches crisis package: Russia adopted a programme of financial stabilisation and tight monetary policies after estimates that inflation is running at 10 per cent a week. Page2

Lyonnaise des Eaux Dumez: Shares in the French water and building group tumbled and were then suspended after an announcement that 1992 profits would not exceed FFr400m ($74m), a third of the earlier forecast. Shares are expected to resume trading today. Page 13

Japanese bankruptcies soar: Corporate bankruptcies rose by 32.1 per cent last year, the fastest rate in Japanese history, according to a private research group. Page 4

Air France, French state carrier, announced a consolidated loss of FFr3.2bn ($597m) for last year against FFr685m in 1991, but said it expected to halve the loss this year. Page 14

Denmark lays EC plans: Denmark set out ambitious plans for its six-month presidency of the European Community which include opening negotiations on EC enlargement with Austria, Sweden and Finland, and tougher environmental policy. Page 2

Blitz on Gatt talks: Sir Leon Brittan, European trade commissioner, plans a series of top-level meetings next week, including with the new US administration, aimed at achieving a rapid end to the Uruguay Round of world trade talks. Page 5

Bols/Wessanen merger talks: Bols, Dutch spirits and beverages group, and Wessanen, big Dutch food group, are considering a full merger by means of a share swap to create a group with sales of Fl 5bn ($2.7bn). Page 14

Unisys, US computer and defence manufacturer, produced annual net profits of $361.2m last year, against a net loss of $1.4bn in 1991. Page 15

Angolan oil town seized: Unita rebels appear to have scored a notable victory against Angolan government troops with the capture of the oil town of Soyo, which accounts for a third of Angola's production. Page 4

Chernobyl repairs needed: Ukraine's Chernobyl nuclear power plant is in urgent need of costly repairs to reduce fire hazard, according to EC safety inspectors, who said it was irresponsible to keep the plant operating.

■ STOCK MARKET INDICES

FT-SE 100:	2,748.7	(+11.1)
Yield	4.45	
FT-SE Eurotrack 100	1,091.84	(+1.03)
FT-A All-Share	1,334.58	(+0.3%)
Nikkei	16,518.18	(-288.46)
New York: lunchtime		
Dow Jones Ind Ave	3,258.78	(+3.79)
S&P Composite	435.75	(+0.62)

■ US LUNCHTIME RATES

Federal Funds:	$3\frac{1}{4}$%
3-mo Treas Bills: Yld	3.065%
Long Bond	$103\frac{23}{32}$
Yield	7.306%

■ LONDON MONEY

3-mo Interbank	7%	($7\frac{1}{16}$%)
Liffe long gilt future:	Mar $99\frac{7}{8}$	(Same)

■ NORTH SEA OIL (Argus)

Brent 15-day March	$17.075	(17.25)

■ Gold

New York Comex Jan	$328.9	(328.6)
London	$329.65	(329.95)

■ STERLING

New York lunchtime:		
$	1.542	
London:		
$	1.541	(1.5485)
DM	2.475	(2.495)
FFr	8.365	(8.44)
SFr	2.2675	(2.2825)
Y	192.5	(194.5)
£ Index	80.6	(81.3)

■ DOLLAR

New York lunchtime:		
DM	1.60465	
FFr	5.4225	
SFr	1.469	
Y	124.65	
London:		
DM	1.6065	(1.611)
FFr	5.4275	(5.45)
SFr	1.471	(1.474)
Y	124.95	(125.55)
$ Index	66.1d	(66.2)

Tokyo close Y 125.38

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr15		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr18.00	Switz	SFr3.20		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Syria	S£50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00		

BA board meets to discuss findings of inquiry

By Paul Betts and Michael Cassell

THE British Airways board will meet this morning to discuss the conclusions of an internal inquiry into its "dirty tricks" campaign against Virgin Atlantic and to consider urgent steps to restore the company's battered image.

Some BA directors met last night to prepare for today's special, full board meeting which is being seen as critical in BA's effort to prevent the affair from escalating any further.

It also emerged yesterday that the European Commission is understood to be interested in examining if BA abused its dominant market position.

The Commission confirmed yesterday that it had received a complaint from Virgin about alleged abuse of BA's dominant position in the allocation of take-off and landing "slots" at London's Heathrow airport.

Despite mounting criticism of BA's discredited campaign and its subsequent handling of the affair, the airline does not appear poised to make sweeping changes in its top level management.

Big investors and employees are demanding that the company take action. But calls for the resignation of either Lord King, the airline's chairman, or Sir Colin Marshall, BA's chief executive, have been dismissed by board members.

Sir Michael Angus, a non-executive deputy chairman of BA and president of the Confederation of British Industry, said last night: "Nobody is seeking the resignation of either Lord King or of Sir Colin".

Although Sir Michael has been tipped as a possible interim chairman when Lord King steps aside in the summer, he said he had not been asked to take on the role.

The question of splitting the responsibilities of chairman and chief executive – both of which have been expected to go to Sir Colin – is not believed to be regarded as an urgent issue.

The board will, however, be giving attention to an 80-page report into the airline's efforts to undermine Virgin by Linklaters & Paines, BA's solicitors.

The document is understood to lend weight to the airline's repeated claims that the covert campaign was confined to a limited number of employees and did not reach the highest levels.

The report, however, damns aspects of the airline's anti-Virgin operations and some directors appear to accept that those responsible should be dismissed. Legal, public relations and marketing personnel are thought to be most at risk.

It is also likely, as part of its damage-limitation exercise, that the board will consider establishing a compliance committee to enforce a code of conduct within the company to ensure BA does not become embroiled in such a highly damaging affair again.

BA is maintaining a high-level dialogue with Mr Richard Branson, the head of Virgin, in an attempt to prevent further legal action against it.

Virgin's head has maintained his threat to sue BA in the US on anti-trust grounds, a move which could undermine its efforts to take a stake in USAir, the sixth-largest US carrier.

BA still in the mud, Page 13

Bill Clinton takes the oath as 42nd president of the United States from Chief Justice William Rehnquist at his inauguration on Capitol Hill yesterday, as wife Hillary looks on

Clinton pledges US renewal

By Jurek Martin in Washington

PRESIDENT William Jefferson Clinton yesterday summoned his country to join him in "a new season of American renewal".

Sworn in as 42nd president at noon on a brilliant sunny day before tens of thousands of the highest and lowest of his fellow citizens, the 46-year-old former governor of Arkansas promised in a 14-minute inaugural address "that the era of deadlock and drift is over".

"There is," he proclaimed, "nothing wrong with America that cannot be cured by what is right with America." But "it will not be easy, it will require sacrifice," he said, echoing themes so frequently invoked in his long run for the presidency.

He admonished Washington ("this beautiful capital") for being consumed by "who is in and who is out, who is up, and who is down." Americans "deserve better and in this city there are people who want to do better. Let us resolve to reform our politics so that power and privilege no longer shout down the voice of the people."

It was an address aimed at his domestic audience, as is customary, but he pledged to meet all external challenges because "there is no clear division today between what is foreign and what is domestic – the world economy, the world environment, the world Aids crisis, the world arms race affect us all."

He said that "together with our friends and allies, we will work to shape change, lest it engulfs us all." But, "when our vital interests are challenged or the will and conscience of the international community defied, we will act – with peaceful diplomacy when possible, with force when necessary."

As is also traditional, the new president thanked his predecessor, "for his half century of service to America". Mr George Bush, who had met the Clintons in the White House and escorted them to the Capitol, rose and acknowledged the applause, which broke out several times in the middle of the address when Mr Clinton seemed to hit a rhythmic stride as he spoke of his "new season of renewal".

If the speech lacked memorable lines, its message was clear. It was also brief – as is not always Mr Clinton's wont. His aides said only George Washington and Abraham Lincoln, no

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Cruise missile strike 'exceeded mandate'

Allies split after France criticises Baghdad attack

By David Buchan in Paris and Our Foreign Staff

FRANCE complained yesterday that the US exceeded its United Nations mandate on Sunday when it launched cruise missiles against an industrial complex south of Baghdad.

The first serious rift between the western Gulf war allies emerged as US aircraft flew routine patrols over the northern and southern air exclusion zones of Iraq in the wake of President Saddam Hussein's offer to hold fire to mark the inauguration of President Bill Clinton.

UN weapons inspectors waiting in Bahrain for more than two weeks are due to leave today for Baghdad. Iraq had initially refused to allow the UN team to return, and then put conditions on flight plans which the UN said were unacceptable.

Mr Roland Dumas, the French foreign minister, briefing the French cabinet yesterday, pulled aside the veil which had covered his officials' private criticism of the US raid on Sunday.

Mr Dumas spelt out "the reasons for France's non-participation in the military action on the Baghdad suburbs, considering that it exceeded Security Council resolutions", the government spokesman said.

France only made its displeasure public on the day that Mr George Bush left office. It evidently did not want to offend a US president with whom it has generally got on well. But many in Paris felt US relations with Iraq had turned into a personal vendetta with Mr Saddam. France said it hoped that a new president in the White House would "open a new phase" in relations with Iraq.

Page 4
■ Baghdad breathes heavy sigh of relief

In the run-up to the March elections in France, the Socialist government may also have wanted to dispel any impression given by French participation in two allied raids against Iraq that it was slavishly following America's lead.

But in London, Mr John Major, the prime minister, called the bombardment wholly justified. He rejected French criticism and said France was consulted.

"This was a raid made by the US rather than the allies because they had the equipment in site to do it," Mr Major told reporters in Downing Street.

Mr Bush urged governments around the world to support efforts to oust Mr Saddam, and the outgoing president's top security aide admitted that Washington had backed coup attempts against the Iraqi leader.

In a five-page report to Congress released hours before Mr Clinton took over the White House, Mr Bush said Mr Saddam continued to defy terms of the 1991 Gulf War ceasefire.

He urged world leaders to support opposition groups trying to topple the Iraqi leader.

Mr Brent Scowcroft, Mr Bush's national security adviser, admitted in an interview published yesterday that the administration had backed coup attempts against Mr Saddam and came "pretty close" to succeeding at one point.

Aides to Mr Clinton insist there will be no easing of the US insistence that Iraq abides by all UN resolutions, including unrestricted access for weapons inspectors.

Kohl's pact plans survive with IG Metall's backing

By Quentin Peel in Bonn

GERMAN chancellor Helmut Kohl's plans for drastic government savings and higher taxes to finance new subsidies for the east German economy ran into a barrage of public criticism from left and right yesterday.

But his plans to negotiate a "solidarity pact" with trade unions and employers, centred on the savings package, appear to be still on course, with crucial support coming from IG Metall, the 4m-strong engineering workers' union.

The federation of German industry (BDI) backed the cuts in public spending, but attacked plans for tax rises as creating new uncertainty in the German economy.

Mr Theo Waigel, the finance minister and chief architect of the DM20bn ($12.5bn) a year cuts, is expected to fly to Frankfurt today to present the deal to the Bundesbank. While he warned against hopes of immediate interest rate cuts from the central bank, he said the package should have a "positive" effect on future decisions.

In another move seen as hopeful in the negotiations for the overall solidarity pact, which would open the way for a relaxation in the bank's monetary policy, two leading state premiers agreed to co-ordinate their negotiating positions. Mr Kurt Biedenkopf, the Christian Democrat leader in the eastern state of Saxony, and Mr Oskar Lafontaine, Social Democrat premier of the Saarland and deputy leader of the opposition party, agreed on a joint strategy at a surprise meeting in Dresden.

As the rest of the Social Democrats, and most of the German media, expressed consternation at the government's proposed cuts in social spending, and abolition of tax allowances, as well a DM10bn increase in the 1993 budget deficit, the insiders in the talks were far more sanguine.

A spokesman for IG Metall welcomed several leading conces-

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Counting the cost of weathering ERM storm

The French franc, Danish krone and Irish punt – all weak recently in the European exchange rate mechanism – seem to have surmounted the worst of the currency storms. Partly reflecting the D-Mark's decline against the dollar, the three currencies have recovered from their lows. Although the French franc, in particular, could be a hostage to political tensions in the run-up to the March parliamentary elections, immediate pressure for another ERM realignment has diminished. However, all three countries, suffering from very high real interest rates and facing poor growth prospects, are counting the costs of standing up to speculative pressures. FT writers assess the cost of staying the ERM course.

IRELAND

Battle for punt leaves long list of casualties

By Tim Coone in Dublin

"THROUGH good days and bad days with the Irish pound, this was one of the most satisfying." Mr Bertie Ahern, the Irish finance minister, had reason to enjoy the statement by EC finance ministers who on Monday strongly supported the Irish government's four-month battle to defend the punt against devaluation.

But has it been a Pyrrhic victory as some analysts now say? The cost has been considerable and forecasts for the Irish economy in 1993 are the gloomiest in years.

In defending the punt after sterling's abandonment of the ERM last September, the government exhausted its entire stock of reserves worth I£3bn ($4.9bn) in August. It has borrowed abroad to rebuild them to around I£2bn now, abandoning its policy of capping foreign currency debt at I£9bn before the crisis.

Foreign holders of Irish gilts, mostly German financial institutions, sold I£1.8bn of a stock of I£4bn held by them before September. Their appetite for new purchases will depend on prospects for the economy, which are not promising.

Irish commercial and mortgage interest rates were pushed up by three percentage points last October, as the central bank raised its own lending rates to defend the punt. Personal overdrafts now carry interest rates of around 19 per cent, commercial loans are around 16 per cent, while mortgage rates are 14 per cent. Inflation was only 3 per cent last year, and is now expected to fall to only 1.5 per cent this year. "The monetary squeeze facing Ireland is now greater than in the UK at the height of its monetary squeeze before its abandonment of the ERM," says Mr Chris Johns, chief economist at the Bank of Ireland.

This week, interbank interest rates for one-month money were below 20 per cent, having reached 100 per cent a fortnight ago. The threat of a further 3 percentage point rise in commercial rates has thus receded, but paradoxically, the strengthening of the punt against the D-Mark and sterling has thrown the focus back on the exchange rate problem. Since September the punt has been revalued against sterling by around 14 per cent, and has placed severe pressures on Irish industry. The heads of prominent exporting companies have recently started to call openly for devaluation.

On a trade-weighted index, bringing in the currencies of Ireland's main trading partners, the punt has been revalued by around 4 per cent since September.

For an open economy such as Ireland's, heavily dependent on trade, this has worrying implications. Mr Tom Jago, president of the Irish Business and Employers' Confederation, said last week that their latest statistics show "a very depressing downturn in order books, investment plans and employment expectations". The Dublin-based NCB stockbrokers noted: "The short-term impact of a successful defence of the currency would, on balance, add to deflationary pressures already in train and we would expect growth in real GDP to be no better than 0.5 per cent in 1993."

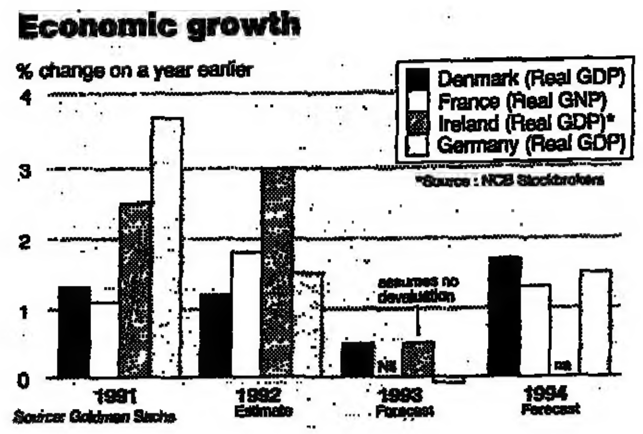
Davy stockbrokers are issuing a profits warning for Irish corporations this year and predict that even if German interest rates fall, Irish rates are unlikely to fall significantly before the end of 1993.

This all creates a dilemma for the new coalition Fianna Fail-Labour government which has committed itself to attacking lengthening dole queues as its priority. It faces some tough budget decisions next month, and its commitment to keep borrowing down to within 3 per cent of GDP leaves little space for manoeuvre.

With no policy changes, the government itself predicts a rise in unemployment of 34,000 this year from its present 290,000. Independent analysts believe the increase is likely to go as high as 50,000, rising to 19 per cent of the workforce from 16.6 per cent, already the highest in the EC.

Was it all worth it? "Certainly," the government argues. It says the benefits of having credibility within the ERM and low inflation, enhances competitiveness and puts Ireland in the fast track to European Monetary Union. This is the strategic goal. Once achieved, the argument goes, Ireland can finally shed the perception that its economic fortunes are forever hostage to those of the UK – a perception which precipitated the last assault on the punt.

Economic growth



Source: Goldman Sachs

ERM target currencies recover from attacks

ALL THREE currencies – the French franc, Irish punt and Danish krone – are now under much less pressure inside the exchange rate mechanism (ERM) than they were two weeks ago, writes James Blitz in London.

The French franc closed last night at FFr3.3800 against the D-Mark, some 5 pfennigs above its ERM floor. Earlier in the day, it had been at FFr3.3770, its highest level since November 19 last year.

The Irish punt was also stronger, less than a fortnight after it had been trading below its ERM floor of 2.95100 against the Dutch guilder. At the end of European trading yesterday, the punt was seen as high as 2.9805.

The Danish krone has also strengthened. The krone was yesterday trading well away from its ERM floor of DKr3.901 to the D-Mark, at DKr3.8373.

French money market rates have risen all this week, in spite of the stronger currency, with 3-month french francs rising yesterday to 11⅞ per cent from a previous close of 11¾ per cent.

In Dublin, the overnight lending rate for the punt is well down from the 100 per cent seen in the first week of this year.

But the cost of borrowing punts for 11 months was at around 17 per cent last night.

Earlier this week, Denmark's central bank cut its key lending rate by 1 percentage point, to 12 per cent.

However, 3-month krone were still trading nearly 500 basis points above 3-month D-Marks yesterday.

FRANCE

'Franc fort' squeezes jobs, growth and prices

By David Buchan in Paris

THE cost to France of its *franc fort* policy has been, above all, a more sluggish economy.

Higher short-term interest rates have slowed growth. Fewer tax receipts and higher social charges have enlarged the budget deficit, likely to be far above the FFr185bn ($34.25bn) target for this year. Bankruptcies are running at around 4,000 a month and are highest in the building and retail trades.

Bank margins have been squeezed every time short-term rates have risen, though the worst was in September when keeping their own lending rates down cost the banks FFr400m, according to the French Association of Banks.

Central bank support for the franc has been on a big scale at times, with FFr160bn spent to prop it up in September alone.

Sporadic speculation against the franc since November had led to intervention "at a level a little lower than in September", Mr Michel Sapin, the finance minister, said this week.

It is not clear that the French central bank has lost anything on these operations, since the currency rates have stayed unchanged; indeed it claimed to have stung speculators in September and made a profit itself.

By far the steepest cost has been in unemployment, now at 10.4 per cent, with nearly 3m out of work. It is unclear whether the exchange rate is to blame for all of the record 600,000 lay-offs in industry last year.

Indeed, part of the cause may be a change in management behaviour, with employers far quicker than they used to be to try to reduce their share of France's high social payroll charges and to replace labour with capital.

On this score, the employers' federation, Patronat, has come under fire from both left and right. Yesterday, Mr François Perigot, Patronat president, hit back: "When we have an economic situation as disastrous as that in France, there is no other alternative but to reduce staff."

But things are "returning to normal in terms of the exchange rate, interest rates and the Banque de France's reserves", Mr Sapin claimed this week. Though the franc is again trading comfortably within its EMS range against the D-Mark, overnight money market rates are still over 12 per cent, though they have been as high as 20 per cent. By contrast, long-term French rates, the benchmark for investment rather than speculation, are at less than 8 per cent and have scarcely moved throughout the crises.

A majority of French people, 72 per cent, believe in a strong franc and oppose any devaluation against the D-Mark, according to a Sofres poll for the Finance Ministry.

The one clear benefit of the *franc fort* policy has been squeezing inflation to a 36-year annual low of 2 per cent. This has spurred French companies into cutting costs and improving quality in a way that has paid off in export markets. As a result, the strong exchange rate has coincided with France's strongest trade performance for two decades. A FFr30bn deficit in 1991 was turned into a FFr24bn surplus for the first 11 months of last year.

However, this is waning. November showed only a FFr400m surplus and December is expected to show no more than a balance. But the decline seems to be more related to slackening demand for exports in key trading partner countries, such as Germany, than to an over-valued exchange rate. So far, French traders have not really felt challenged by the cheaper pound, lira and peseta.

DENMARK

Resilient krone sees off the speculators

By Hilary Barnes in Copenhagen

THE upheavals in the EMS have left Denmark with high short-term interest rates and an abrupt loss of competitiveness in important export markets. But, in spite of a prospective change of government, Denmark appears to have weathered the crisis – and the central bank is proclaiming victory.

"Defence of the krone has not cost us a thing. It has cost the speculators, who have lost," said Mrs Kirsten Mordhorst, vice-president of the Danish National Bank.

The UK, Sweden, Finland, Norway and the southern European countries – all of whose currencies have fallen in the past few months – together account for about a third of Denmark's exports.

But this has not yet dented Denmark's current account surplus, about DKr25bn ($3.95bn) last year, or 3 per cent of GDP. Furthermore, the domestic political turbulence which erupted last week with the resignation of the prime minister, Mr Poul Schlüter, has had a positive impact on financial markets. The krone has strengthened against the D-Mark, the one-month Copenhagen interbank offer rate has fallen by more than 2 percentage points to 15, the all-share index fell 4.7 points in two days, but bond prices have risen.

Firmness on financial markets in part reflects the view that the new Social Democratic government, expected to be installed later this week, will be in a better position than Mr Schlüter's administration to secure a Yes to the Maastricht treaty when it is submitted to a second referendum this spring.

In spite of only sluggish Danish economic growth, the markets are also impressed by inflation of only 1.4 per cent for the latest 12 month-period. Mr Erik Hoffmeyer, the national bank governor, now says that in all important respects Denmark's economy is more stable than Germany's.

Short-term interest rates have nevertheless been high for long periods. Some companies have been paying loan rates of up to 20 per cent. According to Mr Michael Teit Nielsen, economist at the Federation of Small Enterprises, this is creating a vicious circle. "As equity capital is eroded the banks are less and less willing to lend money," he said.

Despite the national bank's optimistic view, Denmark is as eager as any other EC country to see the Bundesbank making significant cuts in interest rates.

Italian bankers act on Efim debts

By Robert Graham in Rome

THE Italian bankers association (ABI) is to set up a legal panel to consider ways of ensuring repayment of debts owed by Efim, the state industrial holding placed in liquidation last July.

Italian and foreign banks are due L9,500bn ($6.88bn), the largest accumulation of debt owed to banks as a result of the collapse of any Italian group.

Despite repeated government attempts to spell out the details of payment to creditors, both domestic and foreign bankers remain confused and are increasingly impatient.

Yesterday's decision empowers Mr Tancredi Bianchi, president of the ABI, to nominate a panel of three to four lawyers headed by Mr Piero Schlesinger, a prominent jurist and president of Banca Popolare di Milano.

Within a month the panel would be expected to be in a position to provide advice on the best approaches to recover credits.

Mr Bianchi is also seeking a meeting with Mr Giuliano Amato, the prime minister, to obtain reassurances. Italian banks are owed almost 60 per cent of Efim's debt.

This week the government confirmed it had raised the ceiling from L4,000bn to L9,000bn for bonds to be issued to cover debt. Mr Alberto Predieri, the liquidator, had earlier sought a L10,000bn ceiling.

Mr Bianchi said yesterday it was essential to clarify the procedures for paying off the bank credits.

He also voiced his concern over the lack of clarity in the government's recent decision to separate Efim's defence and aerospace activities and place them on a lease basis with Finmeccanica, the main industrial subsidiary of IRI, the state holding.

He said the destination of the cash flow from these leased companies needed to clarified – would it be used by Finmeccanica, used to repay debts or accumulated to attract future purchasers?

Copenhagen sets out EC aims

By Lionel Barber in Strasbourg

DENMARK yesterday presented the European Parliament with ambitious plans for its six-month presidency of the EC, which it said would be unaffected by the impending change of government in Copenhagen.

Mr Uffe Ellemann-Jensen, outgoing Danish foreign minister, said there was a broad consensus among the principal Danish political parties on EC policy. "There is no need to worry whether the Danish presidency will function," he said.

But Mr Leo Tindemans, a Belgian former prime minister and now president of the Christian Democratic group in the parliament, noted that a Danish government was not yet in place in Copenhagen. "Never in my experience has a presidency started under worst auspices than today," he told fellow MEPs.

Denmark's goals for its presidency include opening negotiations on EC enlargement with Austria, Sweden, Finland, and – as soon as possible – Norway; greater openness in EC decision-making; devolving responsibilities to the lowest level in the Community according to the principle of subsidiarity; tougher EC environmental policy; and closer political and economic ties with eastern and central Europe.

Mr Ellemann-Jensen, one of Europe's longest-serving foreign ministers, told reporters at a farewell news conference that his speech had been cleared by the main parties in the Danish parliament. In Denmark, Mr Poul Nyrop Rasmussen, the Social Democratic leader, is trying to form an SDP-led government after 10 years of Conservative-Liberal rule, but a new coalition may not be in place until the weekend.

In his speech to the European Parliament, Mr Ellemann-Jensen said the conflict in Yugoslavia would demand the greatest efforts of the Danish presidency.

He also called for closer co-operation with the incoming Clinton administration in the US to promote economic growth, reach a Gatt trade agreement, strengthen the UN's peace-keeping role and create an International Court of Criminal Justice.

Denmark – which rejected the Maastricht treaty in a referendum last June – is to hold a second such poll in late-April or early-May. Mr Ellemann-Jensen predicted approval this time, based on the deal reached with her EC partners last month.

Border controls raise complaints

By Andrew Hill in Brussels

FREE circulation of people within the European Community is being hampered by systematic passport checks at airports, different national visa requirements for non-EC travellers and a lack of information about the single market, according to a lobby group for European citizens. Euro Citizen Action Service (Ecas) has written to Mr Jacques Delors, president of the European Commission, after receiving more than 700 calls and about 300 written submissions about border controls on a special fax and telephone hotline, which operated between January 4 and January 13.

Mr Tony Venables, Ecas director, is now calling on the Commission to take action to resolve flaws which Ecas claims are undermining the principle of free movement of people.

In a report*, Ecas says that although systematic passport checks at the EC's internal land frontiers seem to have ended, all member states are in infringement of the Single European Act, particularly at airports.

Mr Raniero Vanni d'Archirafi, the new commissioner for the internal market, yesterday presented a preliminary report on the progress of the single market to his fellow commissioners. The report, details of which should be made public today, refers to delays in lifting internal border controls on people, but it seems unlikely that Mr Vanni d'Archirafi will seek a legal confrontation with sluggish member states.

Three EC members, Britain, Ireland and Denmark, are likely to retain passport controls beyond the end of this year, but even the more enthusiastic countries are lagging behind in their attempts to abolish all controls during 1993.

In some cases Ecas believes it has the basis for a formal complaint to the European Commission. In particular, Ecas received more than 100 complaints from residents of Gibraltar claiming that Spain had strengthened its controls on people travelling to and from the British crown colony.

*Ecas, 1 rue Defacqz, 1050 Brussels, Belgium.


Ellemann-Jensen addressing MEPs yesterday: no worries

Croatia and Slovenia join IMF

CROATIA and Slovenia were yesterday admitted to the International Monetary Fund, allowing the two former Yugoslav republics access to loans from the IMF and to join its sister institution, the World Bank, writes George Graham in Washington.

Croatia will have a quota of SDR261.6m ($361m) once the IMF's general quota increase is completed, while Slovenia's quota will be SDR150.5m.

Poles seek debt deal

Poland wants a debt restructuring agreement with western commercial banks who are owed $12.1bn and to resume normal credit relations, Mr Krzysztof Krowacki, the country's newly appointed debt negotiator, said yesterday, writes Christopher Bobinski from Warsaw.

EC inflation falls

The European Community's inflation rate dropped to 3.7 per cent a year in December, according to the EC statistics office Eurostat yesterday, Reuter reports from Brussels. The rate was down from 3.8 per cent in November.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Russia adopts a crisis plan to avert collapse

By John Lloyd in Moscow

THE Russian government yesterday adopted an ambitious programme of financial stabilisation and tight monetary policy in an effort to stave off financial collapse.

The package was adopted after what Mr Boris Fyodorov, the deputy prime minister in charge of the economy and finance, said was a "heated" discussion in a cabinet faced with bitter choices.

According to Mr Anatoly Chubais, the deputy prime minister in charge of privatisation, inflation is now running at 10 per cent a week – heading rapidly for the level which marks the doleful entrance to hyperinflation; production fell 20 per cent last year and has not yet stabilised; unemployment is forecast to rise from well under 1m to more than 5m; the budget deficit is variously put between 15 and 25 per cent of GNP; and domestic and foreign investment has more than halved.

In the face of this Mr Fyodorov said that the plan adopted yesterday would be aimed at bringing the budget deficit down to 5 per cent of GNP, and inflation down to 5 per cent a month, by the end of this year.

To this end, interest rates, presently set by the central bank at 80 per cent, would be raised to a level "which would combat inflation"; enterprises would have strict criteria to meet – in wage levels and productivity – before qualifying for credits; the deficit would be financed in part by issuing government bonds, with short-term denominations to protect against inflationary losses; and budget deficit targets would be set quarterly.

At the same time, however, Mr Fyodorov said the government aimed to slow the fall in production levels, double the interest paid on savings, and provide better social protection for the population. Anticipating opposition from the Russian Supreme Soviet, Mr Fyodorov said that some of the stringent measures would be pushed through by presidential decree – while others would be submitted for parliamentary approval.

At the same time officials at the Ministry of Economics revealed that inter-enterprise debt has again soared, now reaching a level of Rbs3,500bn – surpassing the crisis levels reached at the middle of last year before the central bank advanced credit to bring the level down.

An official said that enterprises used credits to meet wage bills and settle debts with each other on a barter basis or for advancing interest free loans. Were they to begin demanding payment of the debts, he said, "industry would simply stop because there is no money". Mr Chubais, commenting on privatisation, said that the state had earned Rbs156bn from companies sold off, as against the Rbs72bn expected.

Russia now had 46,000 private companies, he said, and another 5,600 large enterprises had completed or were completing the process of converting into shareholding companies.

Ukrainian Prime Minister Leonid Kuchma yesterday faced down hardliners who had challenged to his economic reforms, Chrystia Freeland writes from Kiev.

Mr Kuchma confronted Conservative deputies objecting to price liberalisation and a cap on wages at an informal session of parliament after his opponents failed to achieve a quorum for an emergency debate.

Mr Kuchma's priorities are to cut the deficit by restricting industrial subsidies and welfare payments, to solve Ukraine's energy crisis, to promote private business and to create effective regional government.

President Bill Clinton is congratulated by his predecessor, Mr George Bush, in Washington yesterday after the new US leader was sworn in on the steps of the Capitol

New president urges America to embrace dramatic change

THIS is the text of President Clinton's inaugural address:

Today we celebrate the mystery of American renewal.

This ceremony is held in the depth of winter. But, by the words we speak and the faces we show the world, we force the spring – a spring reborn in the world's oldest democracy, that brings forth the vision and courage to reinvent America.

When our founders boldly declared America's independence to the world and our purposes to the Almighty, they knew America, to endure, would have to change – not change for change's sake, but to preserve America's ideals – life, liberty, the pursuit of happiness. Though we march to the music of our time, our mission is timeless. Each generation must define what it means to be an American.

On behalf of our nation I salute my predecessor for his half-century of service to America, and thank the millions of men and women whose steadfastness and sacrifice triumphed over depression, fascism, and communism.

Today a generation raised in the shadows of the cold war assumes new responsibilities in a world warmed by the sunshine of freedom but threatened still by ancient hatreds and new plagues.

Raised in unrivalled prosperity we inherit an economy still the world's strongest, but weakened by business failures, stagnant wages, increasing inequality, and deep divisions among our people.

When George Washington first took the oath I have just sworn to uphold, news travelled slowly across the land on horseback and across the oceans by boat. Now the sights and sounds of this ceremony are broadcast instantaneously to billions around the world. Communications and commerce are global; investment is mobile; technology is almost magical; and ambition for a better life is universal. We earn our livelihood in peaceful competition with people all across the earth.

Profound and powerful forces are shaking and remaking our world, and the urgent question of our age is whether we can make change our friend and not our enemy.

This new world has already enriched the lives of millions of Americans who are able to compete and win in it. But, when most people are working harder for less, when others cannot work at all, when the cost of health care devastates millions and threatens to bankrupt many of our enterprises, when fear of crime robs law-abiding citizens of their freedom, and when millions of poor children cannot even imagine the lives we are calling them to lead – we have not made change our friend.

We know we have to face hard truths and take strong steps. But we have not done so. Instead we have drifted, and that drifting has eroded our resources, fractured our economy, and shaken our confidence. Though our challenges are fearsome, so are our strengths. Americans have ever been a restless, questing, hopeful people. We must bring to our task today the vision and will of those who came before us.

From our revolution to the civil war, to the great depression to the civil rights movement, our people have mustered the determination to construct from these crises the pillars of our history.

Thomas Jefferson believed that, to preserve the very foundations of our nation, we would need dramatic change from time to time. My fellow-citizens, this is our time. Let us embrace it.

Our democracy must be not only the envy of the world but the engine of our own renewal. There is nothing wrong with America that cannot be cured by what is right with America.

So, today, we pledge that the era of deadlock and drift is over – a new season of American renewal has begun.

To renew America we must be bold. We must do what no generation has had to do before. We must invest more in our own people and in our own future, and at the same time cut our massive debt. And we must do so in a world in which we must compete for every opportunity.

It will not be easy; it will require sacrifice. But it can be done, and done fairly, not choosing sacrifice for its own sake, but for our own sake. We must provide for our nation the way a family provides for its children.

Our founders saw themselves in the light of posterity. We can do no less. Anyone who has ever watched a child's eyes wander into sleep knows what posterity is. Posterity is the world to come – the world for whom we hold our ideals, from whom we have borrowed our planet, and to whom we bear sacred responsibility.

America must continue to lead the world we did so much to make

We must do what America does best: offer opportunity to all and demand responsibility from all. It is time to break the bad habit of expecting something for nothing, from our government or from each other. Let us take more responsibility, not only for ourselves and our families but for our communities and our country.

To renew America we must revitalise our democracy.

This beautiful capital, like every capital since the dawn of civilisation, is a place of intrigue and calculation. Powerful people manoeuvre for position and worry endlessly about who is in and who is out, who is up and who is down, forgetting the people whose toil and sweat sends them here and pays their way.

Americans deserve better. In this city there are people who want to do better. Let us resolve to reform our politics, so that power and privilege no longer shout down the voice of the people. Let us put aside personal advantage so that we can feel the pain and see the promise of America.

Let us resolve to make our government a place for what Franklin Roosevelt called "bold, persistent experimentation," a government for our tomorrows, not our yesterdays.

Let us give this capital back to the people to whom it belongs. To renew America we must meet challenges abroad as well as at home. There is no clear division today between what is foreign and what is domestic – the world economy, the world environment, the world Aids crisis, the world arms race affect us all.

Today, as an old order passes, the new world is more free but less stable. Communism's collapse has called forth old animosities and new dangers. Clearly America must continue to lead the world we did so much to make. While America rebuilds at home we will not shrink from the challenges, nor fail to seize the opportunities, of this new world. With our friends and allies we will work to shape change, lest it engulf us.

When our vital interests are challenged, or the will and conscience of the international community defied, we will act – with peaceful diplomacy when possible, with force when necessary. The brave Americans serving our nation in the gulf, in Somalia, and wherever else they stand are testament to our resolve.

But our greatest strength is the power of our ideas, which are still new in many lands. Across the world we see them embraced – and we rejoice. Our hopes, our hearts, and our hands are with those on every continent who are building democracy and freedom. Their cause is America's cause.

The American people have summoned the change we celebrate today. You have raised your voices in an unmistakable chorus. You have cast your votes in historic numbers. And you have changed the face of the Congress, the presidency, and the political process itself.

Yes, you have forced the spring. Now we must do the work the season demands.

To that work I now turn, with all the authority of my office. I ask the Congress to join with me. But no president, no Congress, no government can undertake this mission alone. *My fellow-Americans,* you, too, must play your part in our renewal.

I challenge a new generation of young Americans to a season of service – to act on your idealism by helping troubled children, keeping company with those in need, reconnecting our torn communities. There is much to be done – enough for millions of others who are still young in spirit to give of themselves in service, too. In serving we recognise a simple but powerful truth: We need each other. And we must care for one another.

Today we do more than celebrate America; we rededicate ourselves to the very idea of America: An idea born in revolution and renewed through two centuries of challenge; an idea tempered by the knowledge that, but for fate, we – the fortunate and the unfortunate – might have been each other; an idea ennobled by the faith that our nation can summon from its diversity the deepest measure of unity; an idea infused with the conviction that America's long heroic journey must go forever upward.

And so, at the edge of the 21st century, let us begin with energy and hope, with faith and discipline, and let us work until our work is done. The scripture says: "And let us not be weary in well-doing, for in due season we shall reap, if we faint not."

From this joyful mountaintop of celebration we hear a call to service in the valley.

We have heard the trumpets. We have changed the guard. And now – each in our own way, and with God's help – we must answer the call.

INAUGURATION OF THE PRESIDENT

US administration's foreign policy team shows continuity

Baton passes to practised hands

By Jurek Martin, US Editor, in Washington

INAUGURATION OF THE PRESIDENT

THOUGH NOT as bitchy as academics, members of the foreign policy establishment in the US – and elsewhere – can be pretty sniffy when an outsider gets a position that really matters.

Even today, any recollection of the freelance thoughts and activities of Mr Andrew Young, UN ambassador in the Carter administration of the 1970s, produces pained expressions *among them.*

President Bill Clinton brings no credentials other than intellect to the practice of US foreign policy. But the team now mostly assembled to run it for him, under the aegis of Mr Warren Christopher as secretary of state, should flutter few diplomatic dovecotes.

It is certainly not short of experience, even though the Democrats have been out of power for 12 years. It has continuity in the retention of some senior Bushmen, with Mr Edward Djerejian and Mr Dennis Ross remaining involved in the Middle East and Mr Bernard Aronson temporarily keeping the Latin American brief, mostly to deal with Haiti.

The team is well stuffed with career diplomats, including those held over, even though some had moved out to the private sector. Mr Sam Lewis, ambassador to Israel for eight years under Presidents Carter and Bush, returns to run policy planning.

Mr Winston Lord, once an associate of Mr Henry Kissinger and who was ambassador to Beijing until a few months before the Tiananmen Square massacre in 1989, comes back to take control of Asian affairs. Mr George Moose, another professional diplomat and former envoy to Senegal, gets the African brief.

It has a *quota* of outsiders. Ever since he was passed over for a cabinet post last month, Mr Tim Wirth, former senator from Colorado, has seemed a likely recruit.

He is a man of eclectic interests and popular in Washington. His new role as counsellor in charge of a fistful of global issues, ranging from the environment to refugees, ought to test his talents.

Likewise, Mr Strobe Talbott, the Time magazine journalist and Oxford classmate of Mr *Clinton, has spent much of his* career writing about the former Soviet Union, including a book soon to be published. This knowledge will be deployed in another new position as ambassador-at-large to the former Soviet republics, with particular emphasis on Russia.

Mr Christopher has also placed those he knows particularly well in key places – such as Mr Peter Tarnoff of the Council on Foreign Relations who, as political under-secretary, is number three in the state department; Mr Thomas Donilon, an associate with the secretary of state's law firm who takes over public affairs; and Mr Stephen Oxman, now an investment banker but aide to Mr Christopher in the Carter administration, who gets the European portfolio.

Christopher has put those he knows well in key places, but there is potential for controversy

There are, however, three areas of potential controversy. Mr Lord, a Republican, has been very critical of China's post-Tiananmen policies. A mid-summer test of the new administration's approach to China will occur when Congress considers extension of most-favoured nation trading status. Mr Lord might well propose that this be more conditional on acceptable Chinese behaviour.

There appears to be a fair-sized battle going on over the succession to Mr Aronson for Latin America. Favourite for the job was Mr Mario Baeza, a black Cuban-American lawyer from New York and a close friend of Mr Vernon Jordan, director of the administrative transition.

However, opposition to his appointment has come from Mr Jorge Mas Canosa, leader of the Cuban community in Florida, who is reported to suspect Mr Baeza would be more inclined to promote a dialogue with *President Fidel Castro of* Cuba than work to overthrow him.

Last – but by no means least for Washington insiders – the absence of any of the neo-conservative coterie influential in the foreign policy debate has been widely noticed.

There remains the suspicion that most of the foreign policy ideas in the new administration will come from the White House National Security Council under Mr Anthony Lake and Mr Sandy Berger, with the State Department providing the diplomatic process.

For all that, they all know each other well enough to avoid unnecessary tensions.

Clinton enthusiasm invades US public

George Graham finds support for the president in Pennsylvania

POLITICIANS and press pundits in Washington have already declared the honeymoon over: President Bill Clinton stood accused of breaking promises before he had laid a hand on the Bible at noon yesterday for his oath of office.

Further afield, however, the Americans who voted him into the White House – and a surprisingly large number of those who did not – are willing to give the former governor of Arkansas more of a chance to prove himself.

Despite media criticism of his slowness at forming an administration, his backtracking on promises to cut taxes for the middle class, and his policy reversal on Haitian refugees, 71 per cent of voters hold a favourable opinion of Mr Clinton, according to a poll conducted by Mr Ed Goeas and Ms Celinda Lake, a Republican-Democratic polling partnership.

In the rolling hills of southern Pennsylvania, generally Republican territory, many seemed this week to agree with Mr Clinton's campaign slogan that it was time for a change.

"I think the country needs a change. I just hope Clinton's the right guy," said Ms Elaine Wolf in the town of East Berlin.

Even those who are not sure they like his brand of change said they will reserve judgment until he has had a chance to prove himself.

"I wish him well and I pray for him to that end, because there are certainly a lot of things that need to be put right. I hope he can do it without upsetting the apple cart," said 69-year-old Mr Bob Slater, a Democrat for much of his life but now with the Republicans. He runs a furniture shop in the town of New Oxford.

Up the road at Gettysburg, where 130 years ago a Union army fought to a standstill a southern invasion under the command of General Robert E. Lee, Mrs Joan Baltzley went further and confessed she was enthusiastic about the new president.

"I kind of hate to say this, because I didn't vote for him, but I do feel enthusiastic. This is a good thing happening to our country – young blood and new ideas," she said.

Mr Clinton does not seem to have raised too many eyebrows by edging away from some of his campaign pledges, but voters have low expectations of politicians.

"No matter who would have gotten the position probably would have backed down on some things," said Ms Wolf.

It is the supporters of Mr Ross Perot, the unpredictable Texas billionaire who reaped a strong anti-establishment vote in the presidential election, who are the least forgiving of any frailties Mr Clinton may show.

"We will see how much of a man he is when he has to deal with Baghdad. He has already broken his promises to the middle class," said Mr Kevin Collins, in Mechanicsburg.

For Mr Collins, Mr Clinton's lavish inaugural festivities, replete with symbolism of his bonds to the American people, may have backfired. "He's spending $30m on this what do you call it, and I'm not even invited," he complained.

Upheaval in prospect for the Canadian political landscape

By Bernard Simon in Toronto

WILL he stay or will he go? Whenever the talk in Canada turns to politics these days, that question is asked of two of the country's most prominent and long-serving leaders, Prime Minister Brian Mulroney and Quebec Premier Robert Bourassa.

Depending on what they decide, their plans could radically alter Canada's political landscape within the next two or three months.

Mr Mulroney's resignation would throw new uncertainty into the general election, which will probably be called in late summer or early autumn.

Mr Bourassa's departure would re-ignite the issue of Quebec's place in Canada just as it seemed to be dying down in the wake of the constitutional referendum last September.

The shadows over the political future of the two men come from entirely unrelated sources.

In Mr Mulroney's case, the pressure to step down is political. A strong body of opinion, inside and outside the Progressive Conservative party, believes that it would be better off entering the election campaign with a fresh face at the helm.

Mr Mulroney, 53, who has been party leader for 10 years and prime minister since the Tories took office in September 1984, has been unable to shake off English-Canadians' visceral dislike of him. Although his government has trodden cautiously over the past year or two, Mr Mulroney's reputation remains dogged by the still-stagnant economy, by such policies as free trade with the US, and by his own public image as a sanctimonious wheeler-dealer.

One recent opinion poll gave the Tories the support of only 18 per cent of decided voters, compared with 44 per cent for the opposition Liberals. Mr Mulroney is favoured as prime minister by fewer than one in seven voters.

Mr Mulroney and his aides are giving no clue to his intentions, leaving political commentators to read their tea leaves. A cabinet shuffle this month was interpreted by some as evidence that he was staying, by others that he had decided to go.

The latter view has been boosted by a series of patronage appointments in recent weeks, bringing back memories of the flood of jobs handed out by Mr Pierre Trudeau in the dying days of his federal premiership nine years ago. On the other hand, Mr Mulroney has chosen the very non-political chief of Canada's armed forces, General John de Chastelain, for the plum post of the ambassadorship in Washington.

The question mark over Mr Bourassa is his health. He disclosed this month that the melanoma (skin cancer) first diagnosed in 1990 has spread to a lung. He recently underwent surgery in the US and may begin experimental cancer therapy next month.

Mr Bourassa, 59, has postponed a decision on his future at least until the therapy starts. But that has not prevented Quebec's political temperature rising in anticipation that, even if he stays on for the time being, he will vacate the premiership this year.

Mulroney: pressures from party to resign

With a provincial election due in 1994, Mr Bourassa's political friends and foes, not to mention the media, have begun speculating on a possible successor. The big question is whether one can be found who matches both his popularity among voters and his shrewdness in holding together the federalist and nationalist wings of the Quebec Liberal Party.

The only certainty about either Mr Mulroney's or Mr Bourassa's departure is that it would create greater uncertainty in assessing the political outlook for Canada.

Few doubt that Mr Mulroney's successor would bolster the Conservatives' electoral chances in the nine English-speaking provinces – at least initially. The current front-runner is Ms Kim Campbell, a bright Vancouver lawyer whom Mr Mulroney recently shuffled from the justice ministry to the defence portfolio.

As party leader, Ms Campbell or another westerner might have a good chance of outflanking the Alberta-based Reform Party, which has drawn many unhappy Conservatives on the prairies and the west coast with its populist, right-wing platform.

Less sure, however, is whether another Tory leader could repeat Mr Mulroney's success in the past two elections in his native Quebec. The francophone province provides more than a quarter of the 295 members in the federal parliament in Ottawa, and its voters tend to rally around a single party at federal elections.

The Conservatives now hold 56 of Quebec's 75 seats. A good showing in the francophone province is thus essential if the Conservatives are to have any hope of forming a third majority government.

Although Ms Campbell is bilingual, she is virtually unknown in Quebec and has no power base there. For the Conservatives to have any hope of doing well there, a new leader from English Canada would need a strong Quebec lieutenant. The name most often mentioned is that of Mr Jean Charest, the up-and-coming but still lightweight environment minister.

The prospect of Quebec losing two of its most influential federalist voices has already emboldened the province's separatists. Mr Lucien Bouchard, head of the Bloc Quebecois, which has eight MPs in the House of Commons, predicted this week that the number could rise to 60 at the next election.

Japanese wins bitter battle to lead WHO

By Frances Williams in Geneva

DR Hiroshi Nakajima of Japan yesterday won his battle for re-election as director-general of the World Health Organisation, but the bitterly contested campaign, which pitted Japan against the US, has seriously scarred the UN agency.

The 31-member executive board of the WHO voted 18 to 13 to nominate Dr Nakajima for another five-year term from next July. The defeated candidate, Dr Mohamed Abdelmoumène, an Algerian, was supported by the US, the EC and the Arab League.

However, Dr Nakajima had the backing of most developing countries which constitute a majority on the board. This makes it virtually certain that his nomination will be confirmed by WHO's 170-plus members at the World Health Assembly in May.

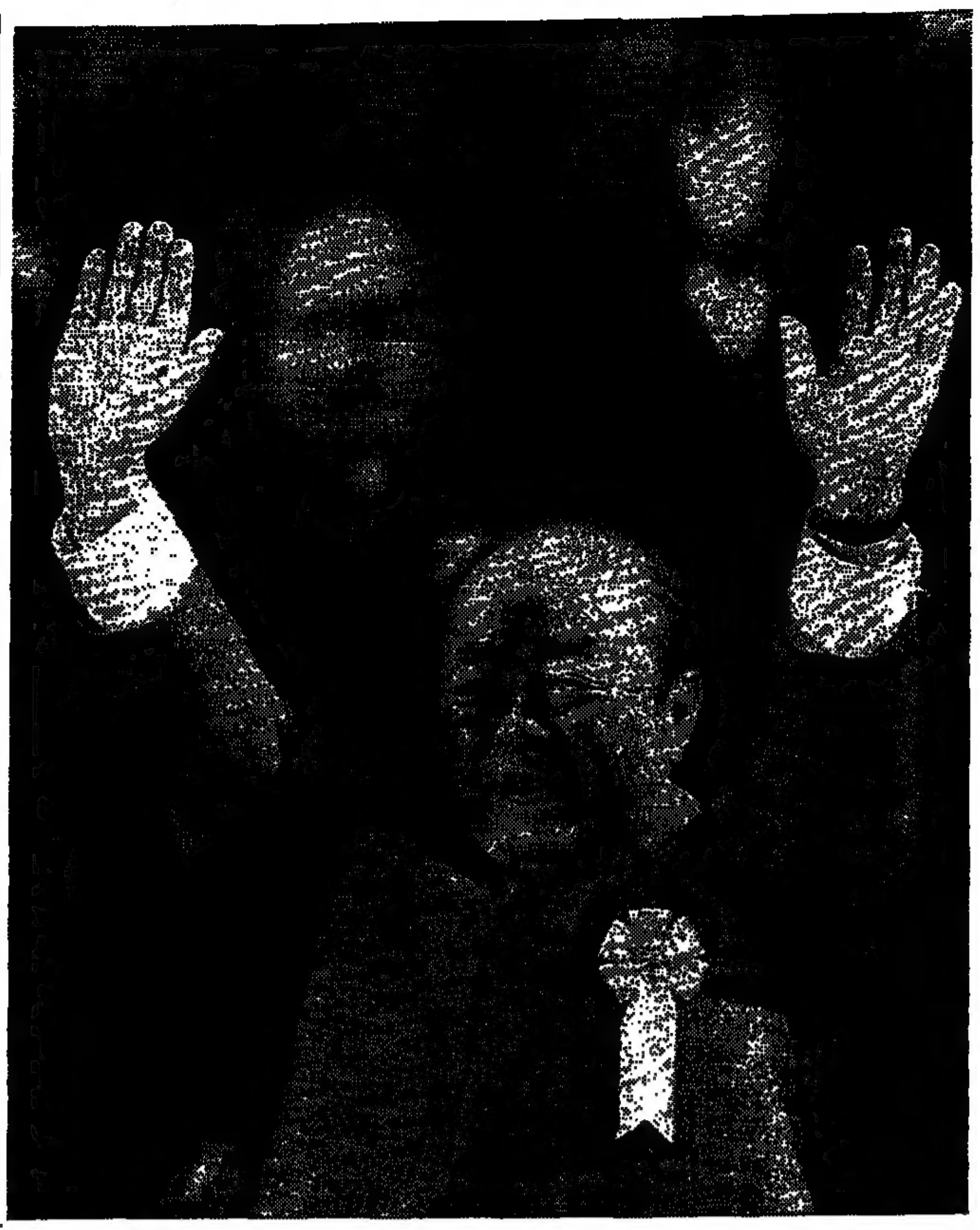
For months the Geneva air has been thick with accusations and denials, on both sides, of vote-buying with aid and jobs. The US, which finances a quarter of WHO's $850m (£559.2m) a year budget, complains that Japan had gone well beyond the limits of persuasive diplomacy in promoting Dr Nakajima's candidacy. Japan, the agency's second biggest contributor, says the US has been pursuing a disinformation campaign against it.

Dr Nakajima, a 64-year-old pharmacologist, became WHO director-general in 1988 after nine years as regional director for the western Pacific. Within a year there were signs of a collapse in staff morale, and rumblings of discontent from western donor countries concerned about the impact on WHO programmes.

These were given added impetus by the resignation of Dr Jonathan Mann, a world-renowned Aids expert, as head of the WHO's aids programme in March 1990 after a row with his boss. But no suitable alternative candidate was found to stand against Dr Nakajima until Dr Abdelmoumène, his deputy, was persuaded to run.

By that time the Japanese government, which only belatedly backed Dr Nakajima first time around, had decided his re-election was a matter of national policy.

However, with its two biggest contributors at loggerheads, its performance under Dr Nakajima's leadership in question, and many of its 4,700 staff unhappy and demoralised, the WHO has a difficult five years ahead.



Prime Minister Kiichi Miyazawa of Japan closes a Liberal Democratic party convention yesterday

Bankruptcies in Japan rise at record rate

By Charles Leadbeater in Tokyo

CORPORATE bankruptcies are rising at the fastest rate in Japanese history, according to a report published yesterday by a private research group which said bankruptcies rose by 32.1 per cent last year.

The report by the Teikoku Data Bank shows that the number of bankruptcies has more than doubled from a low of 6,468 in 1990 to 14,167 last year.

This is a faster rate of growth in the annual number of bankruptcies than at any point since the company started collecting statistics in 1965.

The report's findings suggest that Japanese companies have become much more vulnerable to bankruptcy than they were in the 1970s.

At the height of the first oil shock, bankruptcies rose from 7,140 in 1972 to 11,705 two years later.

The last time bankruptcies rose strongly was in the early 1980s when they increased from 17,122 in 1982 to 20,841 two years later.

However, in spite of the severity of the slowdown in the Japanese economy over the past two years the number of bankruptcies last year was still below the average annual rate in the 1980s of 15,891.

The overall value of bankruptcies fell by 5 per cent to Y7,563bn (£38.8bn) last year reflecting the rise in failures among small businesses.

Teikoku Data Bank said 48 per cent of bankruptcies were the result of the recession, up by 10 percentage points from last year. Real estate bankruptcies were 12.9 per cent up at 1,170.

Bankruptcies in December were 9.5 per cent up from November at 1,454, which has a 20 per cent increase on December 1991, when there were 1,204 bankruptcies.

One factor behind the rise in bankruptcies is the tougher approach which has been adopted among Japan's banks which are carrying a heavy burden of bad loans.

The number of companies with which banks suspended trading last year grew by 18.3 per cent to 10,728 companies.

These companies had debts of Y4,322bn, 2.9 per cent up from 1991, according to the Federation of Bankers Associations.

Last month an estimated 1,070 companies were suspended, up 3.5 per cent from the year before.

Baghdad breathes a heavy sigh of relief

By James Whittington in Baghdad

IRAQ'S offer of a ceasefire was met with relief by ordinary residents of Baghdad yesterday, who were sharply reminded of the perils of the Gulf war by Sunday night's air attack on the capital.

But Iraqis are far from confident that things will change fundamentally for the better in the short term.

They have been struggling under the trade embargo imposed by the United Nations Security Council for nearly 2½ years and there seems little reason to hope this will be rescinded soon, even with the advent of a new president in the White House.

"All presidents of the US are the same," said an Iraqi academic yesterday.

With most of its foreign assets frozen and the central bank's foreign currency reserves severely depleted, Iraq's ability to continue subsidising its self-sufficiency drive at current levelsis questionable.

The severity of the economic situation in Iraq is apparent from the regime's attempts to implement an austerity programme at the same time as increasing concessions to the armed forces and the middle classes.

Last month's ban on the import of 146 luxury items was accompanied by a 30 per cent pay increase for all government employees and a 40 per cent increase for the army and senior officials. The pay increases are expected to come into effect sometime this month.

Amid the latest clashes between the allies and Iraq came an increase of up to 20 per cent on monthly rations such as sugar, tea, rice, flour, cooking oil, soap and detergents last Monday, and other concessions are said to be in the pipeline.

Child allowances are expected to be raised from two Iraqi dinars per child per month to ID25 (£43 at the official rate) and the labour law is due for amendment to fix minimum salaries and annual pay rises.

Although the drive for self-sufficiency in food is the acknowledged goal of the government, Iraq remains reliant on imports in virtually every sector apart from that of oil.

In 1989 it spent an estimated $7.68bn on imports (although $2.7bn was for military purposes) and some argue it has only survived this long under international sanctions by paying out subsidies.

Mr Mohammed Mahdi Salih, the minister of trade and industry, has argued that the impressive reconstruction programme since the end of the war – 90 per cent of damage from allied air attacks has been repaired, according to the Ministry of Housing and Reconstruction – was paid for not in foreign currency but by using construction materials in stock and local production.

But the country's gold-for-wheat deal, which took place last year when 14 shipments of imported Australian wheat was paid for by 10 tonnes of Iraqi gold, suggests that the regime's resources of hard currency are low.

Unita rebels 'seize Angolan oil town'

UNITA rebels appear to have scored a notable victory in their war against Angolan government troops with the capture of the oil town of Soyo, which accounts for a third of Angola's production, Reuter reports from Luanda.

The government said its forces were still putting up stiff resistance in Soyo which, after Cabinda, is Angola's most important oil centre.

But diplomats and evacuees said yesterday there was increasing evidence Unita had captured the town after two days of fierce battles and had seized 17 foreign oil workers. Attempts were being made to open talks to win their release.

The apparent fall of Soyo is a serious blow to the government, which desperately needs cash from oil exports to fund its war against Unita.

Oil earns some 90 per cent of Angola's foreign revenues and the north-western town of Soyo accounted for a third of the country's daily production of more than 500,000 barrels.

Industry officials said most oil activity in the area had been paralysed by the fighting and they could not assess whether operational equipment had been badly damaged.

Scores of foreigners, many of them Portuguese, were evacuated from the area by boat and helicopter. They said they believed Unita had captured the town and adjacent oil facilities.

Texaco Panama Inc Angola and Elf Exploration Angola, the two other big foreign operators at Soyo, are understood to have evacuated their expatriate staff but the fate of dozens of Angolan workers is unknown.

Unita's Voice of the Black Cockerel radio confirmed foreigners were in rebel hands and said heavy fighting was taking place on the Huambo, Menongwe, Moxico, Saurimo and Malanje fronts.

Since disputing the results of September elections which it lost to the ruling MPLA, Unita has expelled local authorities from some 70 per cent of Angolan territory – including northern diamond areas – in violation of May 1991 peace accords.

Tokyo mounts silent rescue operation

Charles Leadbeater reports on attempts to stem the tide of non-bank debts

BEHIND Japan's 21 top banks, which include household names like Mitsubishi and Sanwa, lies a tangled financial undergrowth of 37,000 non-banks. The often troubled relationship between the tightly regulated large banks and the legions of loosely regulated non-banks is perhaps the main source of the malaise afflicting the Japanese financial system.

Just as many of the difficulties of the US financial system began in unknown, provincial savings and loan institutions so the gravest threat to the Japanese financial system could come from the non-banks.

Japanese banks face mounting bad debts from real estate loans which turned sour with the collapse of the bubble economy of the late 1980s.

The top 21 banks had non-performing loans of Y12,400bn (£63.6bn) at the end of September, more than half the banks' equity base, according to the Ministry of Finance.

Many of these bad debts are flowing in from the non-banks which the big banks are linked to. The Bank of Tokyo announced it was restructuring one of its non-bank affiliates. The Nippon Credit Bank, the long-term credit bank, is grappling with huge problems at three of its non-bank affiliates.

Bank executives and officials at the Ministry of Finance are manning the pumps in an attempt to stem the tide.

The non-banks lend money for house purchases, real estate development and consumer credit. But they do not take in deposits from savers. They finance themselves with borrowings from larger financial institutions and then lend that money to their customers.

About 60 per cent of non-bank finance comes from other financial institutions, mainly banks.

The non-banks were among the most active inflators of the bubble economy. Non-bank lending more than trebled from Y31,000bn in 1987 to Y97,000bn in March last year, the most recent figure available. That is twice the growth rate of lending by national banks which rose from Y306,000bn to Y460,000bn in the same period.

Non-bank lending surged because many of the banks used their non-bank affiliates to escape the regulations imposed by the Finance Ministry.

The large banks are licensed by the ministry's commercial banks division. Yet even though some non-banks such as the Orient Corporation and Orix are listed companies they do not have to be licensed by the ministry.

The non-banks are just registered with local prefectural governments; many have strong local political roots which they use to protect themselves against interference from Tokyo.

The only legislation regulating the non-banks was passed in 1973 to protect borrowers against loan sharks.

As a result the Finance Ministry finds it difficult to establish the extent of the non-banks' bad debts, let alone bring them under control.

The ministry's first attempt two years ago to force the non-banks to disclose more information got virtually nowhere. It was only from last November that parliament gave the ministry power to collect information about the non-banks' lending.

The details of the non-banks' problems are still not publicly known. But the general picture is alarming. The non-banks were heavily exposed to the steep fall in the real estate market over the past three years, with land prices in some urban areas down by as much as 60 per cent. The top 300 non-banks account for 70 per cent of all non-bank loans, worth about Y66,000bn. About 40 per cent of those loans are to real estate developers and construction companies, compared with 17 per cent for the banks. Another 30 per cent of non-bank loans have real estate as their collateral.

About a year ago 100 of the top non-banks told the Finance Ministry that more than a fifth of their loans were non-performing, with no interest paid for more than a month.

Non-banks have loans worth about Y3,000bn to companies which went bankrupt between the autumn of 1991 and last month, according to a report by the research arm of Nippon Life Insurance, the country's largest life insurance company.

The report estimates that 34 of the most troubled non-banks have bad loans, mainly to property companies, worth about Y5,800bn.

Most of the bad loans which are building up in the non-banks will eventually find their way back to the big banks. Mr David Snoddy, banking analyst at Jardine Fleming, the securities house, estimates that about a quarter of the Y58,000bn the banks have lent to the non-bank sector will turn into non-performing loans. About 80 of the top 300 non-banks are either bank subsidiaries or affiliated to banks.

In spite of the overwhelming problems no non-bank has yet gone bust. That is because the Finance Ministry is orchestrating a hidden but extensive bail-out by the big banks.

A Ministry of Finance official explained in typically coded terms: "We have advised the banks to take a great interest in the health of their non-banks." In plain language that means the banks have been told not to let any non-banks fail.

The most obvious outward sign of the silent rescue operation is the extraordinary growth in cheap loans to the non-banks. The NLI report estimates that at least 33 top non-banks are receiving interest rate reductions or exemptions from their main backers, on borrowings worth Y6,600bn.

Cheap commercial bank loans, at an interest rate of 3.5 per cent or less, several points below normal commercial rates, rose by 194 per cent in the year to August. Most of these were to troubled non-banks.

The banks have been told not to let the non-banks fail

Non-banks which stuck to consumer lending during the years of the bubble economy and were not drawn into real estate lending are not in deep trouble.

Those that over-extended themselves during the bubble are rapidly beating a retreat back to their core businesses of consumer credit, hire purchase finance and housing loans.

However, restructuring the non-banks will take years rather than months. In the 1980s the non-banks provided the big commercial banks with a convenient back door route to expand their lending. In the 1990s the non-banks will be a heavy drain on the top banks' resources. The hidden rescue operation of the Japanese non-bank sector will take years to complete.

NON-BANKS: AFFILIATIONS OF THE TOP 100

Type of parent	Number of affiliates	Outstanding Loans (Ybn)
Bank	34	24.4
Of which		
City Bank	17	14.3
Long Term Credit Bank	7	5.3
Regional Bank	4	1.3
Trust Bank	4	1.6
Norin-Chukin Bank (Agricultural Bank)	2	1.9
Manufacturing Company	8	3.3
Trading Company	6	4.9
Other Non-bank	8	3.1
Stock Broker	4	1.9
Life Insurance	5	1.7
Real Estate	2	1.0
Others	33	37.6
TOTAL	100	77.9

Kenya reassures UN over fate of refugees

THE KENYAN government told UN officials yesterday it had no intention of evicting refugees, UN officials said, Reuter reports from Nairobi.

They said they were given the assurance by Mr Kalonzo Musyoka, foreign minister, when they discussed a government statement calling on the UN to repatriate 500,000 refugees, mostly Somalis, because of attacks and scant resources. The UN High Commissioner for Refugees said before the meeting that it was concerned about Tuesday's statement and would oppose any forcible repatriation.

Relief agencies were alarmed by the statement because Somalia is still lawless and hungry despite the arrival of a 35,000-strong US-led force.

Mounting defence and debt costs hamper government attempts to bring public spending under control

Fiscal deficit puts Pakistan's economic growth at risk

By Stefan Wagstyl, recently in Karachi

THE LONG shadow of excessive public spending hangs over Pakistan's economy.

Its baleful influence is not immediately apparent since the country is enjoying a surge in economic growth prompted by successive good harvests and by wide-ranging economic liberalisation. Textiles factories are working flat out to fill export orders, while farmers sell produce to the Middle East.

City centre shops are stocked with imported luxuries; in Karachi, rows of Japanese cars stand on the dockside waiting for customers who have the money to buy even Mitsubishi Pajeros, costing up to $58,000 (£38,200) each. Last autumn's damaging floods have slowed expansion not halted it – the economy is still expected to grow by 5.5 per cent in the financial year to June 1993.

However, the government continues to spend so much itself that it could yet undermine its achievements of the last two years since Mr Nawaz Sharif, the prime minister, came to power and launched radical economic reforms.

The State Bank of Pakistan, the central bank, singled out the deficit for criticism in its annual report for 1991-92, published last month. "A high level of fiscal deficit continues to be the central concern for the managers of Pakistan's economy."

Businessmen share the central bank's fears. "I am very impressed with Pakistan's progress," says Mr H J Hemmen, chairman of the Pakistani affiliate of Unilever, the Anglo-Dutch food and detergents group. "But the macroeconomic environment is worrying. They must bring public spending under control."

Government has already given up hope of reaching its 5% target

The government has been trying to deal with the gap between revenue and expenditure since it took office.

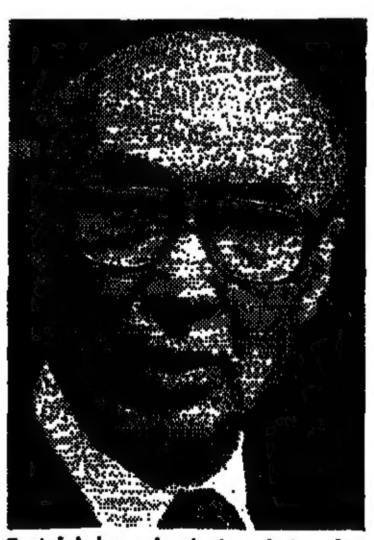
For the year to June 1992, it set a target of 5 per cent of national output for the fiscal deficit. The actual result was 7.8 per cent, according to the central bank. For the current year, too, the government has already given up hope of reaching the 5 per cent target. Mr Sartaj Aziz, the finance minister, admits: "The only area where progress is difficult is the budget deficit."

The basic problem is that defence soaks up around 35 per cent of public spending and a further 25 per cent goes on debt servicing. Cutting debt servicing is almost impossible without reneging on agreements with creditors. Military spending is also sacrosanct as long as relations with India remain hostile. Mr Aziz takes comfort from the fact that increases in defence spending have been kept in line with inflation, but concedes that cuts are off the agenda.

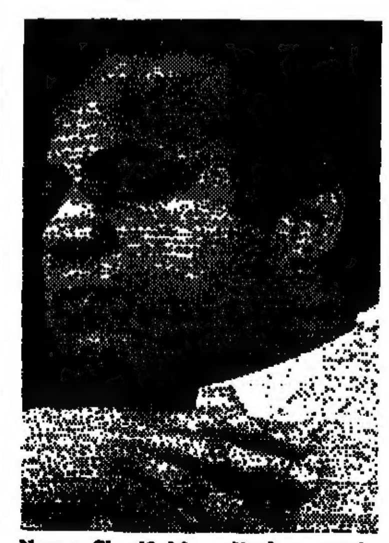
The reformist government had hoped to reduce civilian administrative costs – but progress has been slow since the bureaucracy, a powerful force in Pakistan, is loathe to pull in its belt.

The inability to cut such big items leaves the government with little scope for increasing those programmes which are essential for economic development, such as expanding transport networks and the power supply.

It is also difficult to accommodate emergencies – such as the autumn floods which, as well as causing death and destruction to large communities, cost the government Rs4bn-Rs5bn (£100m-£126m).



Sartaj Aziz: main strategy is to raise revenues, including taxes



Nawaz Sharif: his radical economic reforms could be undermined

Mr Aziz's main strategy has been to raise revenues, including taxes. According to the central bank report, tax income rose 28.9 per cent in the year to June 1992, due both to economic growth and to the expansion of a system of "withholding" taxes.

These are VAT-like levies charged on various economic activities including paying and receiving interest, importing and even using electricity. They have been devised as a partial substitute for income tax, which is widely evaded in Pakistan.

Taxpayers who believe they pay too much in withholding taxes are entitled to appeal but they must file a detailed tax return. Few do and withholding taxes account for two-thirds of total tax revenue.

Unfortunately, such widespread use of indirect taxes is no substitute for direct taxes and in itself creates widespread opportunities for abuse and corruption. The government is trying to improve income tax collection but progress will be limited as long as politically-powerful groups such as farmers enjoy tax exemptions.

Tax reforms are necessary not only for the health of public finances but of the economy as a whole. The central bank report estimates 70 per cent of the new credit created during the economic surge of the last two years has been swallowed up by the public sector. If this continues, companies will be unable to benefit from the government's deregulation and privatisation programme.

As the central bank says: "Expectations of an increasingly larger role of the private sector in the economy are at variance with a situation where the preponderant credit increase during the year goes to the government."

Israel gets UN warning

By Hugh Carnegy in Jerusalem

A United Nations envoy yesterday delivered the sharpest warning to date of Security Council anger over Israel's refusal to reverse the expulsion of 415 Palestinians to Lebanon, saying it would not wait longer for a positive Israeli response.

However, Mr Chinmaya Gharekhan, sent by UN Secretary-General Boutros Boutros Ghali on the third UN mission since the expulsions on December 17, said he could not give a deadline for Israeli compliance with Security Council resolution 799 condemning the action as illegal and demanding it be overturned.

Mr Shimon Peres, the foreign minister, said Israel was waiting for a High Court ruling on the legality of the expulsions, due within days, before deciding its next step.

The government is concerned that the US, which usually vetoes hostile UN moves against it, could allow further Security Council action on the issue because of strong international feeling that Israel has benfited from double standards in the Security Council in the light of attacks on Iraq.

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NEWS: WORLD TRADE

Brittan blitz on Gatt talks

By David Dodwell, World Trade Editor

SIR Leon Brittan, European Community trade commissioner, plans a blitz of top-level meetings next week aimed at achieving a rapid end to the Uruguay Round of world trade talks.

Plans to meet Mr Mickey Kantor, his newly-appointed US counterpart, in Washington have yet to be confirmed. He will meet Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt), tentatively next Wednesday, and other leaders concerned with the Uruguay Round at the following weekend's Davos summit.

The initiative coincides with calls to the incoming US administration, whose views on the Uruguay Round and wider trade policy remain unclear, to make a final push to complete the six-year-old talks before the negotiating mandate granted by Congress expires in March.

Mr Dunkel said yesterday after a stock-taking meeting of the Trade Negotiations Committee (TNC) which oversees the 112-nation liberalisation talks: "We are critically short of time. We must conclude now or risk drifting into the sands."

Sir Leon, who assumed responsibility for EC trade policy three weeks ago, has moved swiftly to press for a rapid end to the talks. After a meeting outside London on January 2 (a day after assuming office) with Mrs Carla Hills, outgoing US trade representative, he agreed with the US to focus negotiations on tariff cuts on manufactured goods.

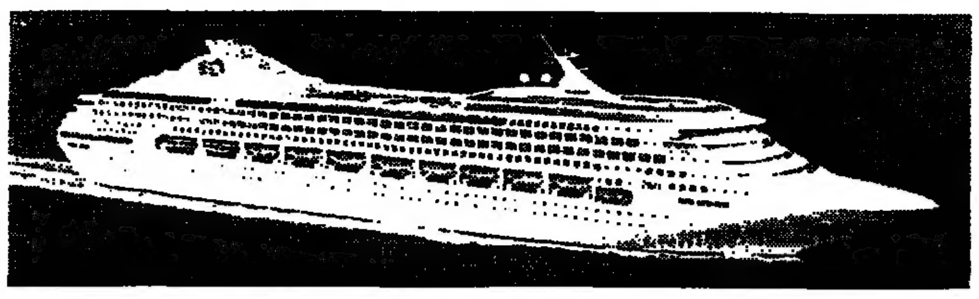
"We have not reached agreement," he commented this week. "But we have not wasted our time. We have injected new urgency into the process and have prepared the ground for a successful conclusion." He clearly hopes the meetings next week will provide fresh momentum at a time when success or failure almost certainly depends on the priority given to the Uruguay Round talks by President Clinton.

"Clinton will have his hands full finishing the Uruguay Round package, without reopening settled bargains," says Mr Gary Hufbauer at the Institute for International Economics in Washington, David Dodwell writes. "When he is ready to make his own mark on the global system, he should organise a ninth Gatt round to cover the environment, competition policy and unfinished business from the Uruguay Round."

At present, Mr Clinton's trade priorities are unclear. Mr Kantor, who spends his first day today as US trade representative, gave mixed signals on likely policy priorities when he appeared before the Senate finance committee for his nomination hearing. His deputies have not yet been named, but the people chosen will provide important signals on how policy will be shaped.

"We see no sign that suggests we should be worried there will be any increase in US protectionism, and remain totally open to building up contacts with the new administration," a spokesman for Sir Leon said yesterday.

He refused to comment directly on remarks by Mr Kantor at his nomination hearing indicating "deep concern" over aspects of November's US-EC agreement to reduce farm subsidies.



Britain's Peninsular & Oriental Steam Navigation Company yesterday announced that its largest cruise ship yet, the Sun Princess (illustrated above), will be built by Italy's Fincantieri yard in Monfalcone at a cost of $300m (£197.3m), Richard Tomkins, Transport Correspondent, writes.

The Sun Princess, weighing 77,000 gross tonnes, will carry 1,950 passengers and 900 crew. It is expected to enter service at the end of 1995 with Princess Cruises, P&O's Los Angeles-based subsidiary, a leader in the North American premium cruise market.

The vessel is the third in a row to be built for P&O by Fincantieri. Previous vessels built by the yard were Crown Princess, delivered in 1990, and Regal Princess, delivered in 1991.

P&O said the dollar's recent strength and favourable Italian currency rates had enabled the price of $300m to be achieved, of which 20 per cent would be paid during construction and the remainder on delivery.

P&O's worldwide cruise fleet currently comprises 14 ships operating in North America, Europe and the western Pacific. Architectural designer of the latest addition is Mr Njal Eide of Norway, who was also responsible for the revolutionary design of P&O's Royal Princess introduced in 1984.

Mr Tim Harris, chairman of P&O Cruises, said the design and technical specification of the latest addition to the fleet would set a new industry standard that would take the company well into the 21st century.

"The Royal Princess was in many ways the classic cruise ship of the 1980s, and we believe the Sun Princess will be the classic cruise ship of the 1990s," Mr Harris said.

Vanished satellite 'may have blown up'

By Kevin Brown in Sydney and Daniel Green in London

AN Australian satellite which disappeared after being launched by a Chinese rocket may have been damaged by an explosion, a Hong Kong newspaper with close links to Beijing said yesterday.

Wen Wei Po, a Chinese-language daily, said fragments recovered by a Sino/US investigating team suggested the explosion occurred after the satellite was deployed.

The report echoes findings by the US journal Aviation Week and Space News which this week said the nose "shroud", or cone, of the rocket disintegrated at 23,000ft, exposing the satellite to a 1,000mph slipstream that destroyed it.

If the reports are confirmed by official investigations, it would damage China's efforts to break into the lucrative satellite launch market dominated by western companies, which charge high prices for their services. The newspaper reiterated earlier claims by China's Aerospace Ministry that the accident was not caused by a failure of the Long March rocket used to launch the satellite from south-west China last month.

The $138m (£90.7m) satellite was built by Hughes Aircraft, the US aerospace group, for Optus Communications, an Australian telecommunications company which planned to use it for phone and broadcasting services. Optus has said it expects Hughes to supply a replacement satellite as part of a A$500m (£226.2m) contract to build and launch the two satellites. The replacement one could be launched within 18 months.

China launched its first satellite for an overseas client in April 1990, when a Long March rocket put Asiasat-1 into geostationary orbit for a Hong Kong-based consortium. Optus is owned by BellSouth of the US, Cable and Wireless of the UK, and Mayne Nickless, the Australian transport group.

Asia's capital of deprivation seeks the capital of hope

After decades of economic decline, Marxist-run Calcutta is trying to attract foreign investors, writes **Stefan Wagstyl**

ON THE walls of Calcutta, the hammer and sickle remains, but even West Bengal's Marxists have been persuaded to embrace capitalism

CALCUTTA, with its dirt, decay and human deprivation, breeds a gritty sense of determination. Thus there was little surprise that the city's businessmen went ahead this month with their first international trade fair despite the turmoil of the Ayodhya crisis.

Officials of the Bengal Chamber of Commerce and Industry freely admit crumbling roads and buildings, crowds, noise and pollution make Calcutta one of the world's least attractive cities for first-time visitors. As they say in a report, any newcomer "would be psychologically put off immediately and decide to leave the city as quickly as possible".

Nor are business visitors likely to be encouraged by the frequent power cuts or the grim posters of Marx, Lenin and Stalin put up by supporters of West Bengal's Communist-led government.

The fair's organisers pressed on with the event despite the violence which hit the city following the destruction of the Ayodhya mosque. They took comfort from the fact that the riots in Calcutta were relatively small, causing 43 deaths compared with hundreds in Bombay.

The fair, which ended this week, attracted 2,000 business visitors, less than the original target of 3,000 but enough to justify holding the event and to prompt the chamber to consider making it an annual event. Mr Pradip Dasgupta, the chamber's secretary, says: "In the prevailing circumstances, it has been very satisfactory. We got 1,000 enquiries."

It will take time for such enquiries to turn into firm orders let alone into decisions to invest in the city. Nevertheless, after decades of economic decline, Calcutta is trying to stop the rot. Encouraged by the national government's free-market oriented reforms, even West Bengal's Marxists have been persuaded to embrace capitalism. Mr Jyoti Basu, the Marxist chief minister who has been in power since 1977, says that the capitalism he once fought no longer exists: "We welcome business."

Unfortunately, business has so far been less than fulsome in its response. The West Bengal Industrial Development Corporation, a state economic agency, proudly lists 254 investment plans filed by entrepreneurs since the central government announced economic liberalisation in July 1991. The agency claims that the investments total Rs53bn (£1.2bn) and would generate 63,482 jobs.

The list is headed by a Rs32bn scheme for a petrochemicals complex at Haldia, a greenfield site near Calcutta, to be built by West Bengal state in partnership with the Tata group, India's largest private conglomerate.

Other large schemes include a Rs7.5bn pig iron plant proposed by S K Birla, a leading Calcutta group, and a Rs3.9bn plastics factory to be built by Reliance, a textiles and chemicals group. Construction work on the Haldia project, which was first mooted long before the 1991 economic reforms, is due to start this year, about 12 months later than planned.

But it is not yet clear when some of the other large schemes will be realised. Most of the investments are modest; for example, the expansion and small-scale modernisation of forging, steelmaking and engineering industries, all long-established in Bengal. Foreign investment is also of limited scale, such as a Rs300m factory for refractory bricks used in steel-making to be built this year by Vesuvius, a subsidiary of Cookson, the UK chemicals maker.

The reluctance of businessmen is easily understood. Calcuttans long accepted the city's decline as the result of the burdens imposed by floods, and of refugees from war and natural disasters. Mr Basu's state government tried to fight poverty as it thought best, but its efforts compounded Calcutta's difficulties by promoting overpowerful trade unions and alienating business. To make matters worse, India's ruling Congress (I) party felt little inclination to divert state investments to West Bengal.

Calcutta's industrial groups kept their head offices in the city, but new investments have mostly gone into other parts of India. According to the Chamber of Commerce, industrial investment in West Bengal, which grew at an annual rate of 9 per cent as late as the mid-1960s, was shrinking by 0.5 per cent in the mid-1980s. Factories, roads and sewers crumble through lack of investment, and a choking smog permeates the air. What was once the richest city in Asia has become a monument to urban poverty.

It will take time to overcome the effects of years of stagnation. Top of many businessmen's concerns is the state's acute shortage of electricity since power cuts occur daily.

Similarly, although the city's roads and public services were the envy of India as late as the mid-1960s, the long years of neglect have taken their toll.

Calcuttan businessmen have to think hard to come up with some advantages to match the city's manifest disadvantages. They talk of the high skill levels of Bengali workers and are proud of the city's historical international commercial links, especially with Britain.

But, as Mr Biji Kurien, president of the chamber of commerce, says: "It is hard to sell Calcutta and even harder when other cities in India are also trying to attract investment."

Rifkind warns on military deployment

By Robert Mauthner and Ivo Dawnay

MR MALCOLM Rifkind, *Defence Secretary, yesterday* said that the UK should not commit military forces to international peace enforcement operations where there was no military solution but merely public clamour for *"something to be done."*

In an obvious reference to demands for greater international military involvement in the Bosnian conflict, Mr Rifkind said: "It is our servicemen who have to bear the risk, *not those who call for their* deployment."

His speech to the Royal United Services Institute was highlighted by Downing Street as a clear statement of the government's thinking at a *time when anxiety has risen* markedly at Westminster over the extent of Britain's military commitments overseas.

At the same time, however, senior officials confirmed that Britain expected to be asked *to contribute to a 3,500-strong* United Nations force for the Kuwait-Iraq border and anticipated *a formal request to pro*vide defence forces from the Kuwaitis.

It was hinted that the *request from Kuwait would be* considered sympathetically, while there remain reservations as to whether Britain should also supply personnel to the UN Gulf peacekeeping force.

Mr Rifkind used his address to spell out the criteria lying behind the deployment of the armed forces.

"We should not put them into danger unless we are satisfied that there is a real military task for them to do, a realistic prospect of their achieving it and a degree of risk *to their physical safety which* is not unacceptably high," he said.

Governments had to be careful about assuming that military action was, in all cases, the answer to serious interna*tional crises. From time to* time, the UK would have to stand out publicly against the use of force and decline to contribute to international military operations because they entailed "open-ended commitments" or were not in the national interest.

The UK had consistently refused to commit ground forces in Bosnia "in an intervention role," as distinct from a humanitarian role, for such reasons, the Defence Secretary said. But he stressed that any attempts to fly combat planes *by the warring factions would* be viewed with "the same seriousness" as in Iraq. It was "highly desirable" the no-fly zone over Bosnia should be enforced, he said.

Drop in retail sales dents recovery hopes

By Emma Tucker, Economics Staff

HOPES for a recovery in consumer spending wavered yesterday after official figures showed that retail sales fell in December.

A 0.7 per cent drop in the *volume of shop sales last* month compared with November disappointed expectations of a small rise after a busy period around Christmas was believed to have boosted trade.

The news sent the pound *sharply lower against the* D-Mark as investors weighed the possibility that the latest figures might encourage the government to cut interest rates. Sterling closed down two pfennigs at DM2.4750.

A *survey from the London* Chamber of Commerce out today is likely to add to gloom about the economy with its message that there are no signs of recovery in the capital.

The seasonally-adjusted figures *from the* Central Statistical Office showed that although sales *fell on the* month, they were 1.2 per cent higher in December on a year-on-year basis. This followed only a marginal annual *increase in November.*

The figures underlined the disappointing results of a Confederation of British Industry survey published earlier this week which also showed a drop in the volume of December sales. *However, analysts* warned against reading too much into one month's figures, particularly in December when seasonal adjustment is more open to error because of the distorting effect of Christmas.

In the three months to the end of December sales rose by *0.3 per cent compared* with the previous three months and were 1.3 per cent higher than in the fourth quarter of 1991.

Mr Michael Saunders, UK economist at Salomon Brothers, said that even allow*ing for the caveats, the figures* were weak. "They are just another sign that activity is still pretty sluggish. There are some signs that the economy is gradually turning but the recovery is going to be slow *and patchy," he said.*

The month-on-month drop contradicted other evidence – including strong growth in the narrow money supply and higher car registrations – that spending increased at the end *of 1992.*

A breakdown of the figures shows that food and mixed-retail sales held up relatively well. The sharpest fall was for "other non-food" retailers, such as newsagents, off-licences, *chemists,* bookshops, florists and sports shops. Sales *fell* by 4 per cent in the latest quarter and were 7 per cent lower than a year ago.

Clothing and footwear sales volumes were flat on the *month and down 1 per cent on* the quarter. Household goods sales fell slightly compared with November but rose by 1 per cent in the fourth quarter compared with the previous three months.

Mr Stephen Dorrell, financial secretary to the Treasury, said retail sales remained on an upward trend: "We must not let one month's figures mask all the encouraging signs of activity in the economy."

Commission aims to break Ulster logjam

By Jimmy Burns in Belfast

Peacemakers: members of the commission (right) listen to evidence in Belfast yesterday from Sinn Fein delegates

MOVES aimed at securing a political settlement in Northern Ireland continued yesterday, not in the stately setting of Stormont or Dublin Castle, but in a rundown Belfast arts centre.

An independent *commission* of enquiry chaired by Professor Torkel Opsahl, an international human rights lawyer, and composed of academics and former government officials including Mr Eamonn Gallagher, a former EC Commissioner, has held public hearings to gauge local opinion on the search for peace.

The commission, funded by charities including the Joseph Rowntree Trust, is the idea of Initiative '92, a non-political group led by Mr Robin Wilson, a local journalist, and Professor Simon Lee, a law professor at Queens University.

It arose out of frustration over the continuing absence of an agreement between the political parties and the persistent campaign of terrorist violence. Mr Wilson says it "offers the best chance for an opening in the political logjam here".

Its aim is to encourage a climate of debate and tolerance, while focusing people's minds on possible compromises. By early *summer,* it intends to make distill the written and oral evidence into proposals which might command popular acceptance.

Unionist party leaders have have boycotted the hearings, *accusing the commission of* setting out to undermine the political process. But Unionist councillors and other representatives of the Protestant community have taken part, and it secured moral support from both London and Dublin.

The support comes in spite of submissions by groups normally condemned by government on both sides of the border.

These include statements by Mr Mitchel McLaughlin, chair*man of Sinn Fein – the IRA's* political wing, who refused to condemn violence.

Earlier, the former head of the Northern Ireland civil service Sir Kenneth Bloomfield said: "I think the situation is ripe to move *forward."*

Beyond good intentions, the commission faces an uphill struggle to draw up an agenda which might be of use to the politicians.

The commissioners say the submissions display wide*spread disillusionment and* apathy, while providing little sense of what alternative forms of government and constitutional changes may be needed in the future.

There appears to be consensus in both communities on issues like the need for a bill of rights, better integrated housing and education, more outside investment and other confidence-building measures such as greater economic links between north and south.

Ms Marie Fitzduff, director of the Northern Ireland Community *Relations Council, says* the consensus reflects growing practical co-operation across *the religious divide at grass*roots level – "the country is moving more and more towards self-help, rather than grand *political structures,"* she says.

And yet, as the "revenge" shooting *of a Catholic woman in Belfast this week showed,* it will take more than the commission's efforts to appease the men of violence.

MPs split on railway privatisation

MR JOHN MacGregor, transport secretary, was yesterday battling to defend his rail privatisation in the run-up to tomorrow's publication of the Railways Bill, Richard Tomkins writes.

But there was some relief for him when it emerged that one of the main focuses of opposition to his plans – the cross-party Commons transport *select committee – was split.*

Yesterday the committee produced an interim report which had been expected to be highly critical. Instead, it confined itself to raising a series of "unresolved issues."

It later emerged the report had been agreed only after one Conservative member of the committee had insisted on substantial amendments.

Hostility to the government's proposals has thrived amid growing confusion over what they mean for freight and passenger customers. The confusion *has arisen* because the plans for BR involve a mix of continued state ownership for railway tracks, sale for the freight operations, and a contracting passenger services.

Jaguar seeks to increase sales by 25%

By Kevin Done, Motor Industry Correspondent

JAGUAR, the luxury car maker, is seeking to increase sales worldwide by more than 25 per cent this year to around 28,300, Mr Nick Scheele, chairman and chief executive, said yesterday.

The company, a subsidiary of Ford of the US, is trying to halt the drastic decline it has suffered in the past four years in which its sales have more than halved and in which it has *fallen into heavy losses.*

Mr Scheele said Jaguar was aiming to launch its planned range of smaller sporty saloons – to compete with the likes of the BMW 5 Series – by 1998.

The company would decide in the spring whether the new car code-named X200 would be part of the world luxury car programme, *DEW98,* currently being planned by Ford in the US to provide a range of medium-sized luxury cars for both North America and Europe.

Jaguar said that its retail sales worldwide fell last year by 12.4 per cent to 22,478 – the lowest level since 1982 – from 25,661 in 1991 and from a peak *of 49,494 in 1988.*

Production fell last year by 10.5 per cent to 20,593 – the lowest level since 1981 – from 23,0918 in 1991 and from a peak of 51,939 in 1988.

Mr Scheele said that the company's financial performance had improved last year from a record pre-tax loss of £226m in 1991, but he refused to disclose detailed figures.

Jaguar forecast yesterday that the main impetus for its recovery would come from the US, where it is seeking to increase sales by more than 40 per cent this year to 12,500 from 8,681 last year.

In Germany it is seeking to *increase sales to more than* 3,000 this year from 1,881 in 1992. In Japan, where sales fell by 38 per cent last year, Jaguar aims to raise registrations to 2,500 from 1,501 last year.

Jaguar is also seeking to enter new markets in order to bolster worldwide sales and this year it plans to sell to *China for the first time.* Importers have been appointed in the Czech Republic, Slovakia, Slovenia, and Hungary – with sales due to start shortly – and Jaguar will meet potential distributors in Russia and the Ukraine soon.

It is also seeking to create a presence in South America – *helped by local Ford subsid*iaries – where it is currently represented only in Chile and in Paraguay.

Pressure intensifies for tobacco advertising ban

By Alan Pike, Social Affairs Correspondent

PRESSURE on the government to ban cigarette advertising intensified yesterday when a cross-party committee of MPs supported the move.

The House of Commons health committee urged the government to support proposals to restrict tobacco advertising to points of sale when they are considered by EC health ministers later this year. It said that if Britain dropped its opposition, it would require the support of only one more country for a directive banning *advertising to be adopted.*

"The government cannot continue to procrastinate on the issue of an advertising ban on the grounds that it is awaiting a level of proof about its effectiveness which is in the nature of things unobtainable," *said the committee.*

Yesterday's report was welcomed by organisations campaigning for a ban. The British Medical Association said the committee's acceptance that advertising increased tobacco consumption was a "victory for commonsense." But the Tobacco Advisory Council, the industry's trade association, said the report leant "too heavily on data which are seriously flawed, muddled and unsubstantiated."

Mrs Virginia Bottomley, health secretary, said the government *accepted that effective* controls on advertising were necessary, which was why it had developed stringent voluntary agreements with the tobacco industry.

Labour warned of threat to treaty

By Ralph Atkins

THE GOVERNMENT warned *the Labour opposition last* night that the UK would be unable to ratify Maastricht if the party succeeded in its bid to amend legislation on the treaty so the social chapter was re-inserted for Britain.

As Labour mounted its first significant offensive against the government during the *treaty's Commons committee* stage, Mr Tristan Garel-Jones, junior foreign office minister, said approval for the amendment would mean MPs approving legislation different to that agreed at Maastricht.

"Therefore it would not be possible for the UK to ratify the treaty," Mr Garel-Jones said.

But Mr Jack Cunningham, Labour's foreign affairs spokesman, said he knew the party would create a dilemma for the government. "The problem has a simple solution – to include the social chapter in the Maastricht treaty," he said.

Mr Cunningham said the other 11 European Community states *had told Labour that* they would be "happy" to see Britain abandon the specially-tailored protocol which allows it to opt-out of the social chapter, which deals with employment rights and state benefits.

Challenged by a Tory MP about whether it would mean the other countries re-ratifying the treaty, Mr Cunningham retorted that the others "have already accepted the social chapter".

Labour regards re-inserting the social chapter as its principal objective during the Commons stages of the bill.

The party's chances of winning approval for its amendment depended on how the Tory Euro-sceptics, who oppose the social chapter as much as *the oppose Maastricht itself,* decide to vote.

Labour's pro-Maastricht faction yesterday won assurances from the leadership that nothing would be done during the debate on ratification that could be interpreted as helping the Tory Euro-sceptics. The pledge came from Mr Jack Cunningham at a meeting of the Parliamentary Labour party where those seeking outright opposition to all closure *motions cutting short debate* on amendments to the treaty clashed with others committed to qualified support.

Britain in brief

House sales show signs of revival

House sales have risen sharply in the past two months, according to estate agents, builders and mortgage lenders, *indicating that* a revival may have begun in the UK housing market. December is normally a poor month for sales, which have continued to increase in the first few weeks of this year.

Prices, which have fallen **steeply since 1988, may also have begun to stabilise, according to a new survey of more than 150 estate agents.**

More than 40 per cent of agents questioned by the Royal Institution of Chartered Surveyors said prices had remained static during the *three months to the end of* December. This compared with only 25 per cent of agents reporting stable prices in October and November.

Action urged on bank raids

Banks and building societies around the UK experience seven high street raids every day, *according to* the Banking Insurance and Finance Union.

BIFU called for urgent action to improve security, train staff and provide better support for those involved in raids. It also called on the government to toughen laws *on* carrying, advertising and distributing replica weapons.

Appeal lodged on pools draw

The National Heritage Select Committee has appealed *to the* government to ensure that football pools – the prize draw based on weekly soccer results – and the new National Lottery would operate "on a level playing field."

The Committee rejected the arguments of Mr Peter Brooke,the National Secretary, that football *pools* were a game of skill rather than effectively a lottery and therefore not entitled to similar treatment. As a result the Committee recommended that the Lottery, which will have a top *prize of more than £1m a* week, and the pools be treated equally in the way they are marketed and sold.

Brewers call for duty cut

The Brewers' *Society has* called for a reduction in the excise duty on beer to counter rising duty-paid imports from continental Europe. With the UK tax on beer seven times greater than in France, duty-paid imports were "flooding" in, a delegation led by Mr Ian Prosser, chairman and chief executive of Bass, *told Sir John* Cope, paymaster general.

NHS shortfall predicted

The capital costs of restructuring medical education and research under the government's Tomlinson report recommendations for London healthcare would be between *£146m and £198m,* according to a study by KPMG Management Consulting.

The report, commissioned by London University, says these costs could not be offset by revenue from the sale of surplus property and existing capital grants. Even at the lower end of the projected range of costs, there *is* a "substantial shortfall." Assuming successful property sales, the report puts the university's net capital costs at £70m to £140m.

Strike vote

Workers at the GEC-owned Yarrow shipyard in Glasgow have voted to strike in protest at a non-consolidated £300 lump sum pay increase. The *1,240 to 37* vote came after management rejected a 3 per cent claim backdated to July.

'Rescue' call on insolvency

Britain's largest insolvency *practitioners* has called for urgent changes to the insolvency law to save British companies *from failing.* The insolvency arm of Coopers & Lybrand, the accountancy firm, urged reforms *of the* 1986 Insolvency Act to foster a "rescue culture" to remove the stigma of insolvency.

Alleged industrial espionage could have cost group millions of pounds

Car park company spied on rival, jury told

By John Mason, Law Courts Correspondent

INDUSTRIAL espionage allegedly ordered by Mr Gordon Layton, the former chief executive of National Car Parks (NCP), could have cost his main business rival many *millions of pounds, an Old Bai*ley jury heard yesterday.

Mr Stephen Tucker, the former head of Europarks, the car parking company, said he had "lost the future" of his business after it became public knowledge *that* KAS, a security company, had allegedly spied on Europarks for NCP.

Europarks had become "damaged goods" when it became known that NCP had obtained confidential informa*tion about its* business rival, Mr Tucker said.

Documents allegedly obtained by KAS for NCP would have been very valuable to a business rival, he agreed. These included documents about *potential* sites, Europarks' financial position and plans to turn it into a public company. His company was left in a very poor position to compete with NCP and potential purchasers of Europarks were well aware its most sensitive information was in the hands of NCP, Mr Tucker said.

In 1990, Mr Tucker sold his company to NCP for £3.3m and accepted £1m damages, the court heard. Morgan Grenfell, *merchants bankers,* had advised him to company was worth between £5m and £15m, he said. Had he been able to run the company for another 10 years, it might have been worth more than £40m, he said.

Mr Layton and Mr Simon Hewitt, a former KAS employee, both deny conspiring to defraud Europarks by dishonestly acquiring information relating to its business affairs between January 1987 and November 1989.

On *Monday* the court was told by Mr David Paget, prosecuting, that Europarks directors were followed to their homes, that their dustbins were searched for confidential information and that a former woman Army captain had tricked her way into a secretarial job to gain access to business secrets.

Mr Layton had hired KAS, set up by Colonel David Stirling, *founder of the Special Air* Service – the crack UK military unit – after Europarks began winning lucrative contracts for car parks, Mr Paget said. Mr Layton was concerned there was a leak from NCP to Europarks and wanted to know how the company was getting business in the teeth of competition from his own enterprise.

The trial continues today.

Tight profit margins block flow of cheaper petrol

Deborah Hargreaves assesses the pressures on oil industry prices

SHELL, the Anglo-Dutch multi-national, surprised the oil industry when it *raised petrol prices this week,* adding about 9p a gallon to the pump price of four star – Britain's premium grade gasoline.

Texaco followed suit, increasing prices for petrol – *but not diesel – by the same* amount, claiming that prices were moving back to a more realistic level after large cuts last month.

Esso, the market leader, and British Petroleum were taken aback by the price rises. Both said they were monitoring the market but had no immediate plans to raise prices.

A month ago Shell decided to slash pump prices by 18p a gal*lon – the biggest cut so far* in petrol prices – after BP sparked a round of reductions with a 13p a gallon cut. Other leading oil companies followed the move.

Those cuts were made on the back of a drop of $3 a barrel in world oil prices since October.

Given that prices have since fallen by a further $1 a barrel, it would be surprising if companies were seeking to justify *this week's price increases* with the usual arguments about higher world prices. Nor do they blame changes in the dollar-sterling exchange rate (international oil trade is priced in dollars).

Rather, Shell is unhappy that ruthless competition in the market has pared margins *to the bone, making it difficult* to pay for increasingly tough environmental measures.

Mr David Pirret, general manager of Shell's retail division, says: "In a tough marketplace where prices have to give Shell and its retailers adequate profitability to fund the *increasing investment* required to meet safety and environmental standards, prices now have to move back up."

Shell estimates that it costs £92,000 more to build a service station than it did 10 years ago *because of tougher environ*mental standards. But intense competition among petrol *retailers has kept returns to* the industry low.

"Neither retailers nor oil companies are making enough money in this business to fund the environmental improvements needed," says Mr Bruce *Petter, director of the Petro*leum Retailers' Association.

A Shell official comments: *"There's no question about our* regretting that December cut in prices. It was good for us."

This means that Shell increased its market share in an intensely competitive business. While oil companies are competing fiercely for market share between themselves, they are also facing an assault on their business from supermarkets and hypermarkets.

Such businesses have dou*bled their share of the petrol* market in the past two years, from about 6.8 per cent at the beginning of 1991 to about 15 per cent now.

The ability of supermarkets to undercut oil companies has arisen partly from over-capacity in *the oil refining sector. Some oil* companies are running too much oil through their refineries, leaving them with a glut to sell cheaply to hypermarkets.

It is a vicious circle that is bound to end up in a contraction of the service station market over the next 10 years. Some market-watchers believe the UK will lose about 5,000 of its 20,000 sites in the next decade. This will partly be a result of the inability of some stations to invest in the type of environmental and safety standards required by government and European Community legislation.

Shell estimates it costs £12,000, for example, to equip a new service station with twin-walled petrol tanks – an EC requirement being phased in over the next two years.

In addition, companies have *to spend about £14,000* to recycle the water used in the car wash, £4,000 on measures *to stop tanks over-filling* and £6,000 to remove old storage tanks, according to Shell.

"We want people to know that when the price goes up, it is also driven by the need for companies to remain profitable," says a Shell official. The company plans to spend £250m over the next five years on revamping its petrol station network.

Mr Geoff Pyne, oil analyst at stockbrokers UBS Phillips and Drew, says: "Margins in petrol retailing may be low now but to say that they are lower than the return made by other industries is rather a danger*ous generalisation."*

Tax accounts for almost 70 per cent of the cost of petrol to the consumer. Petrol prices are in fact slightly lower now than in 1990. 1960.

According to figures from UBS Phillips and Drew, petrol prices were 47.4p per litre in 1960 and averaged 45.9p per *litre (in 1990 prices)* last year.

"There is nothing to suggest excessive profitability by the oil companies," says Mr Gilbert Jenkins, an independent energy consultant.

Getting ideas to market

Companies that race ahead on innovation do not always win in the market-place. Some fail miserably.

This harsh message was spelled out by John Kay, professor of economics at the London Business School, at a seminar yesterday in London. "Firms are failing to understand that technological innovation has to be used in conjunction with other factors."

Kay, also chairman of the London Economics consultancy, said the most innovative companies were not always *those able* to make a commercial success out of their technological achievements. Nor were technological advances enough to combat competition from low-wage countries.

At the seminar, organised by the Economic and Social Research Council, he noted that by most criteria, Glaxo, the pharmaceuticals company, was the most successful British company of the past decade. However, "its success is based not on the originality of its innovation, which is modest, but on the effectiveness with which it exploited this. There is a lesson there for all British companies."

European companies generally are worse at making a success out of innovation than those in the Japan and the US, he reckoned. Philips, the Dutch electronics group, has an impressive technological record but a poor financial one.

Kay said managing innovation could be costly and uncertain; some innovations might be technically successful but not profitable. Also, many companies do not know how to prevent technology "running away" with their organisation or how to integrate it effectively (as with financial service concerns).

Kay warned, too, that the rewards of innovation are hard to collect, since financial returns must be defended from competitors, suppliers, customers and groups within the company itself. The weakness of innovations is that they can often be copied easily.

Andrew Fisher

James Buxton monitors an innovation which may give greater flexibility to computer users on the move

Mini-discs with a megabyte

The day may not be far off when personal computer users who need to take large quantities of data on trips will carry a miniature hard disc drive in their pockets instead of taking several copies of the ubiquitous 3.5-inch floppy disc.

This would be a boon to business people on the move such as managers and accountants. They would be able to transfer data such as company accounts and archive documents from their desktop computers, get on an aircraft and slot the hard disc drive into another machine at their destination.

The advance would be made possible by the recent invention of extremely small hard disc drives covering no more surface area than a credit card and with a thickness of only 10.5cm. A Scottish company, Calluna Technology of Glenrothes in Fife, has designed the first 1.8-inch drives with 85-megabyte data storage (the most powerful in this size). It will start assembling the new drives this spring.

The new drives are initially intended for use in slim sub-notebook-size computers which currently do not have disc drives. From an early stage, they will be removable.

At present, users of portable machines face a dilemma. They can buy a computer in the so-called notebook range with both hard disc and floppy drives. But the machines weigh about 7lb, and may also need battery chargers or power packs: this is a strong disincentive to carrying them around every day.

Alternatively they can buy a sub-notebook computer which might weigh about 2lb but with internal memory of no more than 1Mbyte. This can be augmented by inserting memory cards, a type of semi-conductor which currently offers between 1Mbyte and 2Mbyte of extra storage. But these will not give the storage capacity provided by their desktops.

The new miniature hard disc drives will make life easier for busy, mobile users – though they will still have to negotiate the tiny keyboard. When a desktop interface for this size of miniature drive becomes available, possibly later this year, they will load their sub-notebooks with data from their desktops and obtain a performance that is comparable to that of their larger machine.

The Calluna team responsible for this breakthrough previously worked for Rodime, a Glenrothes company which was highly successful in the early 1980s, producing the world's first 3.5-inch disc drive. But after a series of setbacks, Rodime put its manufacturing operations into receivership in 1991 and now just licenses its technology.

Norman White, Rodime's former technical director, founded Calluna, of which he is now managing director, with five ex-Rodime colleagues in late 1991. The company has assembled a financial package which, including supplier credits, totals about £5m, with equity from 3i, Innolion and Altus Finance (two offshoots of Credit Lyonnais), and Scottish Enterprise (the official development body for Scotland).

Calluna's achievement was to get two 1.8-inch (48mm) discs within the 10.5mm thickness specified in the Type III format agreed by the Personal Computer Memory Card International Association, the US body formed to promote the use of memory cards. Rival designers have so far only squeezed one drive into the format, obtaining half the storage capacity of Calluna. The Scottish company has also made advances in reducing the amount of power needed to run the drive.

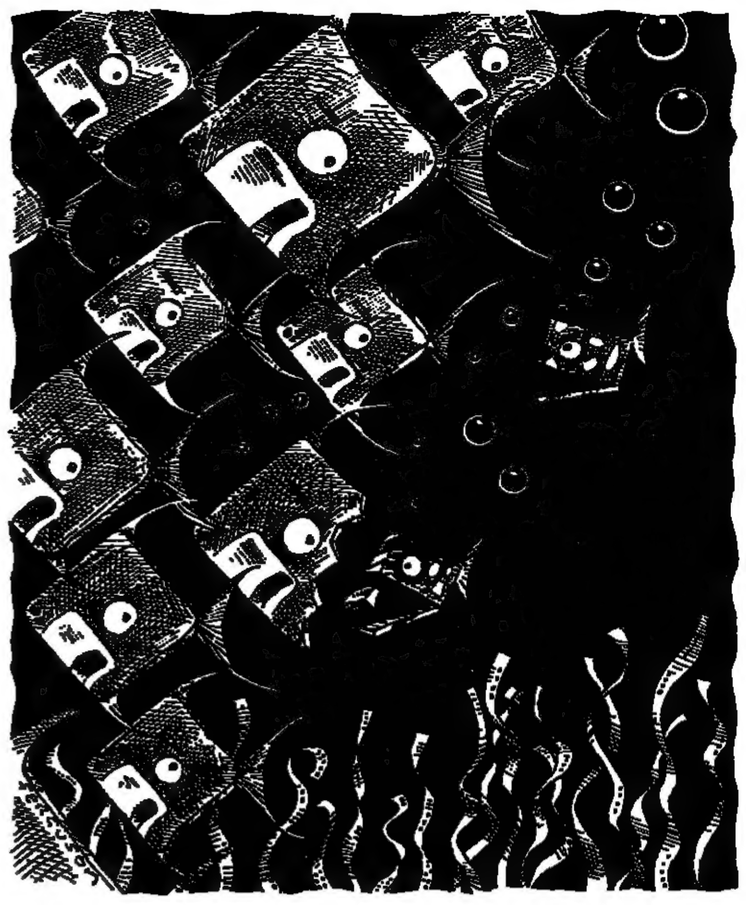
Calluna will assemble its drives in a semi-automated process employing up to 100 people and using sub-assemblies from component makers in the Far East. It will offer the drives in two versions: one for permanent installation into the sub-notebook computer by the original equipment manufacturer, and the other in a portable version.

White says the drives will initially be sold to OEMs, mostly in Taiwan and Hong Kong, to obtain their validation for the removable version which might be sold directly by dealers for installation in sub-notebooks.

"Expressions of interest from computer makers in the Far East are especially strong for our removable version," says White. "The OEMs are talking about the second and third quarters of 1993." Calluna's target market for the removable version is likely to be Europe where it will be the only indigenous manufacturer of 1.8-inch drives.

Calluna will concentrate on the high performance end of a market which could total 1m units in 1993 and 3m by 1994, and perhaps be worth $1bn (£600m) over five years. Its plant will have the capacity to produce up to 500,000 a year.

Andrew Baul-Lewis, an analyst with International Data Corporation, says: "There is potential for that product in the computing market. It depends on pricing, performance and constantly increasing the capacity of the drive."



How much will the new drives cost? White says the OEMs might be charged $5 per Mbyte of storage making $400 per drive, compared with $30 per Mbyte in memory cards. But the price will fall if the product takes off.

Success will have its risks. Calluna is embarking on the difficult path of bringing a product to market and leading in a field where competition is bound to intensify. Sceptics will point out that these were challenges which ultimately defeated Rodime.

Patent troubles create trauma and cost

A brown six-inch-thick box landed on the desk of Clive Shipley, joint managing director of Bath Scientific, a small west country electronics group, last September. It was to transform what was expected to be a record year for the small UK company into a four-month trauma that has not yet ended.

The box, from the International Trade Commission in the US, detailed allegations by a US competitor, Integri-Test, that it was trading unfairly in selling its equipment to the US, infringing three patents held by the competitor which apply to moving probe systems measuring capacitance and resistance. It called for a temporary exclusion order against Bath Scientific's products – mainly moving probe systems to test computer circuit boards.

For Bath Scientific such an exclusion order would spell disaster: "This could put us out of business," Shipley said. While the company, with just 25 staff, claims to be a world leader in a small and highly specialised market in which it may take up to two years to make each probe, it sold just 20 units last year. Earnings totalled £1.4m, with half of sales in 1992 made in the US.

The unpleasant twist was that the cost of contesting the case in US courts might put Bath Scientific out of business just as easily as the loss of the US market. A one-week hearing by the ITC in Washington last month has cost the better part of $250,000 (£164,000), wiping out all of expected 1992 profits.

The cruel – and perhaps not accidental – irony is that the action comes at exactly the point where Bath Scientific's business appears poised for dramatic growth. The accelerating trend towards miniaturisation in the electronics industry means manual testing of components is less practicable. The company saw 40 per cent growth in sales between 1991 and 1992, and projects annual growth of 50-100 per cent in the three years ahead.

Mercifully for Bath Scientific, the ITC court has ruled initially in its favour. It found that there were other technologies similar to, and predating, Integri-Test's patents, and that Bath Scientific was not using the same technology anyway. Shipley went further last week, dismissing the patent claims as ludicrous: "Putting patents on measurement of capacitance and resistance is like trying to patent gravity, or air."

But the case is not yet won. Just two days ago Integri-Test called on the ITC to review and reverse its decision, promising new evidence before the October deadline for a permanent ruling. It still insists its patents "are valid and enforceable".

The problem facing Bath Scientific is not uncommon for exporters to the US, and illustrates international concern that US laws intended to protect small domestic companies against unfair foreign competition by larger foreign companies are being abused for wider protectionist reasons.

Many US companies have found that the mere act of bringing a case can scare foreign competitors from the market. Investigations are launched before careful evaluation of the evidence provided by the US company. Once a case is launched, legal costs are unavoidable. Faced with the prospect of expensive legal action, exporters often decide the sensible course is to lick wounds and withdraw from the market – particularly small companies.

"A normal patent action would take up to six years," Shipley said. "We are confident that we could prove we are right. The problem with this action is that the US government provides local companies with a powerful lever just by having the procedure in place." It is possible that Integri-Test hoped for exactly this result after arguments for the past six years with Bath Scientific over patents. The UK company says Integri-Test refused a "cross-licencing" arrangement, suggesting a main aim was to exclude Bath Scientific from the US market. Integri-Test counters that Bath Scientific refused its own proposal for a licencing fee to use the patents.

Integri-Test possibly misjudged how the critical importance of the US to Bath Scientific gave it no option but to defend the action. Unless the ITC reverses its December decision, Integri-Test will no longer be able to seek protection behind patent claims, instead being forced to vie on technological merit with its UK competitor. But Bath Scientific may have to wait until October for the threat to be lifted. Meanwhile, legal fees mount.

David Dodwell

Farmers reap rich public relations crop

In recent years, farmers in the big industrialised countries have been responsible for some of the most successful public relations campaigns ever launched. In countries such as Japan, the US and France, the result has been an accumulation of political power and protection as well as economic and commercial clout on a scale out of all proportion to their relatively small numbers and the amount of money spent. In this special marketing report, FT writers look at some of the media and lobbying techniques that have been so successfully employed.

Japan cultivates a culture

WHEN Japanese farmers last month took to the Tokyo streets in tractors to show anger at proposed rice market reforms, each of the pre-selected 50 tractors was assigned a number and all were driven in an orderly formation along a pre-arranged route to ensure that there would be no unscripted inconvenience to fellow Japanese.

In planning protests such as the tractor drive, the farmers' movement wants to highlight rice as the essence of Japanese culture and farmers as the protectors of that tradition. But the strategy generally does not include the shock tactics employed by European farmers, as such rowdiness is regarded as a threat to the image of the stoic farmer who braves the elements to fill the family rice cooker each evening and preserve a semi-spiritual ritual.

Apart from fostering the folksy image, the defence of the rice market campaign also includes undermining the reputation of foreign rice. Consumer groups contribute to the cause, as some of these organisations have links with Japan Agriculture, the farmers' representative body, and regularly produce pamphlets warning that foreign farmers use dangerous chemicals in food production.

A video, "Imported Rice Is Dangerous", was produced last year by the well-meaning if protectionist Japan Offspring Fund, whose members have links to farmers' groups. The video traces the tragic lives of weevils in three containers of rice, one housing the homegrown product, another filled with Australian rice, and the third containing American rice.

A flourishing family of 50 weevils was added to the US rice and, allegedly due to the effects of insecticides, 10 of the weevils were dead within four days. The fate of the weevils in the Australian rice was worse, with all 50 weevils passing away within a week. Naturally, the weevils in the Japanese rice lived happily ever after.

At the time of the beef liberalisation debate four years ago, a short film made in praise of Japanese beef depicted a typical family becoming physically ill after consuming imported meat. After criticism from the US and Australia, the film was shelved, and Japanese government officials advised agricultural groups to employ more subtle means in their campaign to protect markets.

Officially, 6.7 per cent of Japanese earn their living through primary industry, down from 48.3 per cent in 1950 and 30.2 per cent in 1960, though the actual number relying solely on agriculture for income is estimated at 3 per cent. Convincing the rest of the population to subsidise these lifestyles through taxation and by paying six times more than the world price for rice has generally been made easier because rice is an important symbol for Japan.

On JA billboards, farmers are pictured in muddy paddy fields or atop small tractors at harvest time, but the message remains much the same – these farmers are not merely raising a crop, they are cultivating a culture. To enhance that image for city slickers, most local farmers' associations conduct tours of rice growing areas and allow the urban man or woman to meet rural people.

Most urban Japanese have rural roots, but the links have become more tenuous with each new generation. In an attempt to interest younger Japanese in the issue, farmers have embraced the "environment" theme, arguing that the countryside would be devastated if the paddy fields were concreted and warning that flooding could become more common because of the change in the landscape.

A "bucket rice" campaign is designed to bring the joys of life on the land to those who must endure small apartments in Tokyo or Osaka. Farmers delivered rice seeds, fertiliser and instructions to 200,000 urban dwellers, who then raised their own small crop in a bucket. A JA official said the campaign educated children "who don't know when a rice plant matures" and allowed city families to eat their own rice, re-establishing their link with nature.

Fourteen rice producers' organisations have launched a Y700m (£3.7m) advertising campaign to make rice more appetising for Japanese youth, as national consumption has fallen annually by 1.5-2 per cent over the past decade. The idea of the campaign, one sponsor explained, is to convey a strong visual impression, so that when a young person is hungry they will immediately think of rice.

Robert Thomson

US takes the message to heart

ALTHOUGH weary of high taxes and wary of the budget deficit, Americans this year will pay out to their farmers subsidies worth about \$17bn (£11bn), almost twice as much as in 1992.

Outside Washington DC, where the federal budget cutters are frantic for new prey, almost no one will complain. Americans are likely to donate \$1m-\$2m to farmers down on their luck through Farm Aid in April, when country singer Willie Nelson and his friends turn out for their sixth fundraising concert.

Americans are pre-disposed to revere the farmer, from the time they are children singing "Old MacDonald" to their first picture books about Farmer Bill and his barnyard animals. A large number are still only one or two generations away from the farm.

A romantic image has emerged of honest, hardworking farm families struggling against drought, blizzards and big government. For Americans fed up with the strains of urban life or the commute from the suburbs, the farmer remains a nostalgic symbol of times when life was simple.

A CBS/New York Times poll, taken in 1986 at the height of the US farm crisis, found that 55 per cent of Americans would pay higher taxes to help farmers.

"Americans think farmers deserve special treatment," the poll concluded. "A majority think keeping small farms in operation is so important that the government should make a special effort to keep small farms in business. Relatively few blame the farmers themselves for their difficulties."

These perceptions persist today, and are aided and abetted by sympathetic journalists and movie makers, who are carefully cultivated by industry "outreach" programmes. The State Association of Co-operatives, for example, promotes a Weekend at the Farm scheme for public officials, congressional aides and journalists.

Besides the Four-H clubs and Future Farmers of America organisations, which promote farming-related activities in schools, funding from state and federal level and agribusinesses goes to Agriculture in the Classroom. The programme educates children in the cities and suburbs about farming.

Communicating for Agriculture, a non-profit organisation with 80,000 members, is a powerful lobby for farmer interests at both state and national levels. It convinced 27 states to create insurance pools for farmers who cannot get catastrophic health insurance. It also brings foreign students to US farms and awards scholarships.

The large agribusiness companies which dominate many sectors of US agriculture are reluctant to disclose details of their image-enhancing efforts. But they have been quick to capitalise on the family farmers' positive image in television advertising.

"Every year the importance of this land increases," says the Archer Daniels Midland Company in one of its slick television spots. "Because every year there are a lot more mouths to feed – over 95m more. Fortunately, the food ingredients that ADM makes from an American harvest can help feed people the world over."

It is not by coincidence, notes one farm lobbyist, that ADM is receiving subsidies for ethanol and price supports for the maize used in sweeteners.

"Commercials often promote a vision of agriculture that is beautiful and colourful," said Jeff Smedsrud, a Communications for Agriculture official. "But I'm not at all sure it is that accurate. The public has no clue about the reality of modern agriculture."

Carol Brookins, a Washington DC agriculture consultant, says the public receives a distorted view of farmers. "There is not the perception that agriculture is a modern dynamic contributor to the US economy and a creative and innovative industry."

When it comes to marketing their products, farmers have shown they are by no means country bumpkins. The various commodity groups – ranging from beef and dairy farmers to watermelon producers – organise co-operative advertising and marketing campaigns. One of the most successful is the National Pork Producer Council's "Pork, the Other White Meat".

It was launched five years ago, when concern over the high fat content of meat was depressing per capita consumption an average 4.5 per cent a year. Since then, sales have risen between 0.5 and 1 per cent a year with each 1 per cent gain representing an additional \$200m in sales.

It is compelling evidence that a group of farmers, who were thought to be an endangered species, can survive and thrive by harnessing modern marketing methods to an old-fashioned image.

Nancy Dunne

France blends shock with sweet reason

FRENCH farming organisations have a misleading international image of resorting solely to organised disruption to get their message over to the public.

Television images of manure-spattered town halls, mounds of burning produce and spectacular traffic jams caused by tractor road-blocks are perceived by many to be the stock in trade of France's irascible farmers, in their demonstrations against the production and price cuts imposed by reforms of the European Community's common agricultural policy.

Certainly, the temperature has increased as the CAP reforms begin to bite, yet the French farmers' communications strategy is more complicated and subtle than that.

Officially, the body responsible for shaping and delivering the agriculture industry's message to the public is the main union, the Fédération Nationale des Syndicats d'Exploitants Agricoles (FNSEA).

Yet holding a common line is hard for the FNSEA because it is a fragmented federation, including under its vast umbrella farming unions from France's 96 mainland departments, stretching from the rich cereal growing plains around Paris to the poor smallholders of the south-west.

"We are always debating within ourselves whether we should appeal to public opinion or, as many of our farming members would like, put our message over in a more challenging style," explains Bénédicte Caillé, head of external relations for the FNSEA.

FNSEA's official communications style is moderate, yet in practice it cannot control some of the more disruptive publicity stunts organised at local level. One example of the official marketing approach is when the Centre National des Jeunes Agriculteurs, the young farmers' union, decorated the Champs Elysées with a field of ripe wheat three years ago.

A charm offensive was the purpose of the largest farming demonstration in France in recent years, when 200,000 farmers descended on Paris to protest against the CAP in September 1991. Departmental unions "twinned" themselves with Paris arrondissements, making themselves responsible for setting up stalls with local produce, offering free food and wine tasting.

"The idea was to help Parisians rediscover their roots, to remind them that we represent an important part of their culture," explains Caillé.

Another part of the FNSEA's charm offensive is a scheme launched two years ago to invite school children for educational visits to local farms. The scheme attracted 35,000 visitors in 1990, rising to about 200,000 last year, says the federation.

In some ways, the FNSEA has to work less hard than other European farm unions to deliver its message. About a fifth of the French population owes some of its living directly or indirectly to agriculture and most national politicians carefully preserve a provincial power base.

On top of this, the FNSEA has the rare privilege of being granted four free 10-minute slots a year on the two state-owned television channels, by the CSA broadcasting authority. Its latest production was clumsily made, with the pretty young narrator delivering her message perched on a bicycle which improbably appeared to be in the middle of a field of corn. Even so, it drove home the message of the friendly farmer, taking environmental protection as its theme.

Yet the moderates do not always win the day in FNSEA debates on publicity strategy. Many farmers were so disappointed with the moderate tone of the big Paris demonstration in 1991 that they left the FNSEA to form their own splinter group, called the Co-ordination Rurale.

The new organisation, which has about 10,000 members, represents the sharp end of farmers' protests and organised a series of successful motorway road blocks last summer, setting an example for the truck drivers, who used the same technique to bring most of France to a halt for several days last year.

Another popular tactic by local farmers recently has been to dump truckloads of mud on the streets outside local government offices. This, says Caillé, is designed to represent land that has been taken out of production under CAP rules. It is a stark contrast to the days of laying wheat fields on the Champs Elysées.

William Dawkins

UK goes against the grain

BRITISH farmers are not given to concerted mass dumpings of cartloads of manure outside parliament as a means of persuasion.

Many of them are angry – often with the plethora of marketing and promotional organisations supposedly backing their causes. But one of their main lobbying conduits, the 85-year-old National Farmers' Union, encourages a careful, regular lobbying of key targets in government, media and consumer groups as the best means of getting a fair hearing.

The UK's 100,000 farmers are a heterogeneous bunch; the 1,000-hectare arable East Anglian faces quite dissimilar problems from the Welsh hill farmer with a few hundred sheep. But they share an uncertain future. EC legislation threatens to cut their incomes. Consumer suspicion over Bovine Spongiform Encephalopathy scares in beef, salmonella disease in eggs, growth hormones, pesticides and battery farming has damaged the social standing of farming.

During the second world war, British farmers were almost revered for feeding the nation in desperate times. That image has faded even as the economic desperation of some farmers has increased – 46,000 farmers, wives and their children left farming during 1991-92, according to government statistics.

Organisations backing farming attempt to counter adverse public opinion. In 1992, the Meat and Livestock Commission spent about £1.5m on an advertising campaign aimed at the consumer, under the somewhat desperate-sounding slogan "Meat To Live". The MLC and its steadfast opponent, the Vegetarian Society, are fighting a propaganda battle in the country's schools, inundating them with free promotional materials.

As for the NFU, their lobbyists have limited resources compared with some of their international sister organisations. While it runs a wide variety of events, newsletters and seminars supportive of farming, it has resisted generic "buy British" advertising, both because such campaigns are already run by separate marketing bodies (such as the MLC and the National Dairy Council) and because, as Anne Dillon, head of public affairs at the NFU, puts it, "there isn't a 'buy British' culture any more".

Dillon spends considerable time trying to persuade the farming community that the best public relations – and therefore increased chances of political success – today means tackling not just Westminster but also the general public.

Dillon believes that to retain political clout, farmers must start at stubble level by regaining the confidence of consumers through a combination of relationship-building with important media and consumer bodies and by encouraging farmers to be more willing to take on an expanded role, promoting themselves as defenders of rural Britain and not just food producers.

When she joined the NFU three years ago, Dillon initiated a three-stage public affairs strategy, developing links with the women's press – on the basis that women make most domestic food purchasing decisions – and paying greater attention to local media.

What is ruled out is throwing bricks at police and starting bonfires in public highways: "There is no evidence that setting fire to parking meters or peeing against trees in front of TV cameras – as has happened on the Continent – is any more successful than a realistic and sensible negotiation with the community that you live in or the people who represent you.

"We get much more success with the press by saying: 'You don't believe there are problems with incomes in farming? Here are three farming families, talk to them and make up your own mind.' If we said: 'Here are 350 farmers who are going to set fire to trees in Hyde Park' that would have been put down as typical farmers' bullying."

It may be the case that British farmers have little choice but to tread gently and carefully; they lack the numerical muscle and social esteem of their counterparts elsewhere.

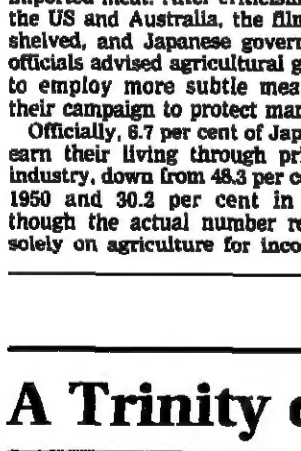
But they are listened to by government. David Naish, NFU president, has just been appointed by John Major, the prime minister, to head a special task force, one of the aims being to see how producers and retailers can meet each other's requirements with supplies of British food.

But for Dillon, visibility is not commensurate with success: "When last year the proposed terms for the reform of the Common Agricultural Policy were first on the table they would have removed a great number of family farms in the UK. By the time we had finished negotiating with the government, and it in turn had finished negotiating in the EC, it was worth another £700m. That's not an inconsequential sum of money, without setting fire to parking meters."

Gary Mead

PEOPLE

A Trinity of top jobs



It should come as no surprise that Philip Graf (above), is to succeed David Snedden as managing director and chief executive of Trinity International Holdings next month. Snedden stays on the board as a non-executive director.

The job is one of the best in the newspaper industry. Trinity, an independent with headquarters in Chester, publishes 44 UK newspapers and 59 in Canada or the US. Its flagship titles are the Liverpool Daily Post and its sister evening paper, the Echo.

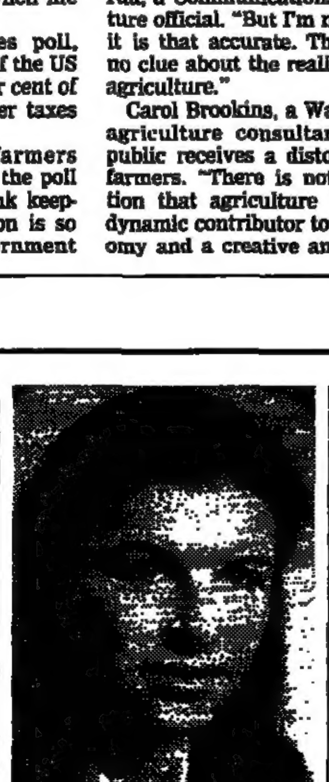
The careers of the two men have been intertwined for the past 20 years starting at Thomson Regional Newspapers, where Snedden ran The Scotsman and the Belfast Telegraph, and Graf was a protégé.

Graf, 46, tried to move to Liverpool from his native Northern Ireland in 1978, when he was offered the job of marketing services manager of Trinity's flagship titles, but a furious Snedden, who was Thomson's joint managing director, counter-offered with a promotion to the Western Mail in Cardiff.

But when Snedden moved to Trinity in 1982, he had no compunction about offering Graf a job two years later. Since then Graf has held a succession of posts, grooming him to succeed Snedden on retirement – at 60, a requirement of Trinity intended to keep the management fresh.

Graf says that Trinity – cash-rich with only 15 per cent gearing – would continue to look for more acquisitions and hoped they would be more friendly than Trinity's aborted, contested bid for Southern Newspapers last year.

Trinity also announced the appointment to its board of Leo Colligan, 44, managing director of the Liverpool Daily Post & Echo, and Stephen Parker, 40, managing director of the group's weekly papers.



Jennie Younger, daughter-in-law of Royal Bank of Scotland chairman Lord Younger, is quitting life as a City investment analyst with BZW to be head of special projects in British Gas's corporate affairs department.

Younger's varied career includes a stint as one of the assistants to James Baker, the outgoing White House chief of staff, during the 1980 US presidential campaign, and a governor of Gordonstoun, Prince Charles's old school, where she was once headgirl.

Non-executive directors

The TSB Group has headhunted Hans-Detlef Bosel, a board member of Bavarian bank Bayerische Vereinsbank, to join as its ninth non-executive director and to provide the group with a "European view".

Bosel, who is 43, is currently in charge of retail banking in Germany, with regional responsibilities for the UK and Austria. He has worked at Vereinsbank, which is Germany's fourth largest private sector bank, for the past 12 years, having previously been at Citibank, where he joined as a trainee in Frankfurt, and later picked up international exposure in London, New York and Chicago.

TSB says it was looking for an experienced banker who was young, had a solid international grounding and was particularly familiar with both the UK and Europe. It adds that the European dimension was important given that the Continent is much further advanced than is Britain as regards bancassurance, or the cross-selling of financial services. TSB regards itself as the pioneer in this field within the UK, an area that has proved a bright spot for the bank amidst all its other troubles.

Bayerische Vereinsbank has co-operated with Victoria, Germany's fourth largest insurer, since 1990.

■ Graeme Elliot, former vice-chairman of Slough Estates, at AUTOMATED SECURITY HOLDINGS.
■ Larry Tucker, a partner of Brown Brothers Harriman, at BLENHEIM GROUP.
■ Ian Reeves, formerly executive chairman, as non-executive chairman at HIGH-POINT GROUP.
■ Atilla Uras, Ali Tigrel, directors of Auric Holdings which is a major shareholder, and Levend Beriker, industrial co-ordinator for Auric Holdings and Marmara Bank, which has provided loans, at BULLERS.
■ Ben Martin, who is retiring from BZW, at BRAKE BROS.
■ Lord Barnett has resigned from CONRAD CONTINENTAL.
■ Franz Winkelmann has resigned from ANGLO IRISH BANK CORPORATION.
■ Jack Schumann has retired from STAR COMPUTER.
■ Henry Clayton, a director of ALEXANDERS HOLDINGS, has died.

Changeover at Maunders

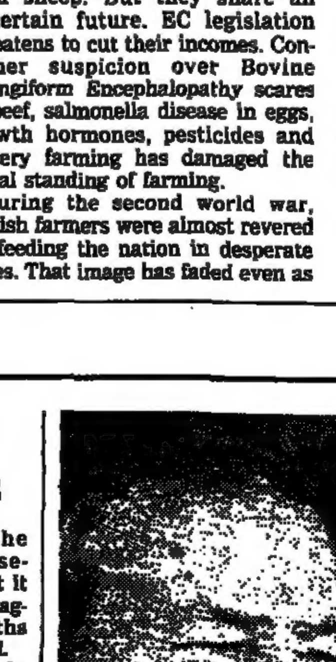
John Maunders, the Manchester-based housebuilder, has announced that it has replaced its group managing director – two months after the change was effected.

Bill Bannister, 43, previously group sales and marketing director, took over as group md in November, while Bernard Davies, 56, who had been in the post for a decade, and with the company for 22 years, has left.

Analysts says this was a succession that had been expected, but one that had been hastened by the need for a tough cost-cutter at the top.

Traditionally, the northern base of the business has been highly profitable; it is in the south where margins have been under severe pressure in the past three or four years, and Bannister, managing director of the Southern division, is understood to have proved his mettle in this area.

John Maunders, the 47-year-old chairman and grandson of the founder, is well aware of Davies' contribution, according to analysts, and his compensation package is understood to be in the region of £200,000.



Sir Bruce MacPhail (above), whose own impeccable academic pedigree reads Balliol, Oxford, followed by an MBA at Harvard, is becoming chairman of the Council of Management of Templeton College, Oxford, succeeding David Rowland, who is stepping down after seven years. Rowland has just taken over as chairman of Lloyd's.

P&O's managing director, Sir Bruce has served on Templeton's council since 1986, and the college's new president, Clark Brundin, says he expects him to continue to produce "a significant intellectual contribution".

It doesn't take a man from the top of P&O to realise that Britain is very much at a disadvantage with regard to its competitors as regards educational training. But Sir Bruce is sounding optimistic that if Oxford really embraces management studies – a discipline which in the past it has treated with some disdain – and turns itself into a "world-class school", this could have a very positive impact on domestic industry's perception of the value of business education.

Templeton is on its way to receiving the Royal Charter as Oxford's 37th college. At the same time, a separate school of management will be established, with an MBA programme now targeted (after several postponements) to commence in October 1995.

While Sir Bruce says he has never for an instant regretted his Harvard training, he explains that the Oxford version of the MBA will be "extremely international in its direction, with a certain amount of on-the-job experience, and it will involve fluency in another language – all in all a far cry from the pure case-study stuff I did at Harvard".

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Cinema/Nigel Andrews

Thrillers spin a web of black logic

In *Deep Cover*, a jet-black, jet-paced crime thriller, there is one way to distinguish the good guys from the bad. The good guys tend to call themselves God: like small, mad-eyed police chief Charles Martin Smith, drawing himself up to five feet two to insist on his omniscient divinity. The bad guys (Gregory Sierra's succulently evil drug baron) tend to *behave* like God: the O.T. God of an eye for an eye, an ear for an ear and any other body part available for the barter of rough justice.

The original story is by writer Michael Tolkin who showed his metaphysical paces in *The Player*, depicting Hollywood as Purgatory-on-the-Pacific, and in *The Rapture*, all about sex, death and the Second Coming. That Tolkin's initial script for *Deep Cover* was taken over by a second writer, Henry Bean (*Internal Affairs*), may account for the last-reel gaucheries. These include a *Miami Vice*-style climax in which the undercover hero (Larry Fishburne) and his crooked-lawyer pal (Jeff Goldblum) have a crime tryst with a *major* political figure in the virtual broad daylight of a well-lit dockside.

Only in a movie. Likewise the late-on hurricane of Washington-linked conspiracy revelations. But take all this *cum grano salis*: it does not spoil the flavour of what goes before as we watch the black police hero's slide into a blacker moral midnight. Picked for plain-clothes promotion because he has the coolest answer to his police chief's racist riddle – "What's the difference between a black man and a nigger?" – he is soon having to solve subtler riddles.

Like, what is the difference between a good plain-clothes cop who joins the crime game and the baddish plain-clothes lawyer (Goldblum) he befriends, who merely puts a different spin on the blend of foul play with pseudo-probity? And how much does an undercover mission excuse shutting one's eyes to plain-sight atrocities? Fishburne must not flinch when cocaine kingpin Sierra bashes in a crony's face with a pool cue; or when Sierra (again) humbles Goldblum with an after-dinner torture game; or when a live, bullet-perforated person is dumped from a speeding car in a midnight tunnel, with a Parthian gunshot fired at his receding arse.

Good movies take a familiar theme – there are only so many to go round – and then spin fast-witted, revelatory variations on it. As directed by Bill Duke (*A Rage in Harlem*), *Deep Cover* is paced and textured like a nightmare. Everything has an accelerated dark-side logic, as the hero realises his dwindling control over his own story and fate's flair for fast-forwarding him towards disaster. Fishburne is good in that rarity – a black leading role that does not semaphore ethnic significance – and Goldblum is even better. As the yuppie who keeps being taken to the cleaners along with his suits, he smiles with terrified elegance at an outpacing world.

DEEP COVER (18)
Bill Duke

NIGHT AND THE CITY (15)
Irwin Winkler

MAN BITES DOG (18)
Remy Belvaux, André Bonzel, Benoit Poelvoorde

SWEET EMMA, DEAR BOBE (18)
Istvan Szabo

SCHTONK! (15)
Helmut Dietl

★

In *Night And The City* another man's world speeds out of control. But this time we sense the film-makers' hands operating the machinery. Updating the 1950 thriller starring Richard Widmark as a nightclub tout turned fight promoter, director Irwin Winkler, writer Richard Price (*Sea Of Love*) and star Robert De Niro take the story out of London – its original setting, courtesy of British novelist Gerald Kersh – and set it in New York.

But this is a New York you could order up by telephone. Dial M for mean streets and you would get this instant, special-delivery, heels-on-wheels Manhattan. The bar exteriors look manufactured on a back-lot and the people inside react like a Warner Brothers rent-a-crowd as seedy ambulance-chasing lawyer De Niro – a little guy with a manic manner – holds forth like a stand-up comic on his last stand.

And the man's problem? He wants to be a boxing promoter. But he must climb over human hindrances to do so: like suavely cackling *capo* Alan King, jealous bar-owner Cliff Gorman and his De Niro-smitten wife Jessica Lange. Our hero promises to procure a liquor licence for Miss L so she can quit her spouse and open her own business. But the promises are mounting up and a man can keep only so many. Harry Fabian – that is his name – is deep in debt and deeper in danger.

This all worked 40 years ago with Widmark and director Jules Dassin. But then everything about the story shouts late 1940s-early-'50s: from the speak-your-weight dialogue to the fatal-allure sexuality to the post-demob disquiet (transmuted to *film noir*) of a generation in job crisis. De Niro, springy and grinning, acts like a man possessed. But then he is possessed – by his own art-and-money obligations. For this a De Niro production of a De Niro project for De Niro's new film company Tribeca. What ever happened to the days when actors just acted?

★

Man Bites Dog, a Belgian film about a mass murderer, is the week's third thriller in which characters put their lives into overdrive and then find their hands slipping off the steering wheel. The three co-directors – Remy Belvaux, André Bonzel, Benoit Poelvoorde – also co-star. Poelvoorde is the prattling, preening show-off who likes to kill people. Belvaux and Bonzel are his dopy cronies, documentary director and cameraman respectively, who film B.P.'s murders as they happen.

Shot in grainy handheld black-and-white, just like the film whose making it portrays, *Man Bites Dog* is shocking less for its full-frontal murders – though these include stranglings, smotherings and stabbings – than for its own refusal to be shocked. Killing here has become part of the junk culture like TV or video games: for couch potatoes read crime potatoes. And however much he begins by kicking against the violence, the moviegoer is soon mischievously drawn into the catatonic reflexes: "Who next?", "Where?", "How?"

For this black comedy about brutalisation is also about the voyeur implications of film-watching. Before an invited audience – ourselves – our dandyish hero-host demonstrates the techniques and satisfactions of motiveless killing. Like the torturer-hoodlum in *Reservoir Dogs*, who wanted no information from the cop he was maltreating, *Man Bites Dog* raises the spectre of cruelty for kicks. We all know it exists; the cinema seldom dares to confront it head-on; and the British censor almost never lets the result through when it does. A loud plaudit, then, for the courage and imagination of current incumbent James Ferman.

★

The Hungarian Revolution is the subject of Istvan Szabo's *Sweet Emma, Dear Böbe*. Not the famed 1956 event, when man bit dogma and dogma bit back; but the recent pussy-cat revolution when the Soviet empire rolled over and Eastern Bloc countries tickled its tummy.

The tummy-tickling is now over, says Szabo. Fresh from *Meeting Venus*, in which he allegorised the New Europe as an opera troupe that could not get its act together, the director presents the New Hungary as an atonal chorus of fury, anguish and disenchantment. Schoolteacher Emma (Johanna Ter Steege) bleats the futility of teaching Russian to a world going Western. Her buxom friend Boebe sleeps with many men before finding the fastest way from a high window to a street. And large dialectical boxing matches – God versus materialism, love versus sex, art versus barbarism – go on, and on, and on.

It is, we fear, a lecture with dramatic pretensions. As lines of dialogue clang like a ringside bell – "Do you think because freedom's here everything is allowed?", "Are you the God of emptiness?" (Emma in church) – the audience bobs and weaves before the pugilistic overemphasis. Nothing surpasses the simple, oblique dream-magic of the opening shot. A nude girl slides down a darkling hill of sand clutching at passing plants. We guess, marvel, are teased and intrigued: things that never happen to us again in the 80-minute film.

Schtonk! is the small, foolish title of a long, foolish film. Helmut Dietl wrote and directed this spoof history of the Hitler Diaries scam. But there was probably more laughter 48 years ago in the Berlin bunker, as Adolf and Eva swapped shaggy-Alsatian stories while the bombs rained.

Acting like a man possessed: Robert De Niro with Alan King in 'Night and the City'

Alastair Muir

Emily Joyce, Liam O'Callaghan and Sheila Reid try to kick the habit

Theatre

King Baby

James Robson is a regular contributor to BBC Radio 4's *The Archers*. His new play at The Pit perhaps helps to explain why that everyday story of country folk sometimes becomes so tired and emotional. *King Baby* is set in a rehabilitation unit for alcoholics. It is very intense, nothing much happens and it lasts for three hours.

On the other hand, it is quite beautifully done. The dialogue is riveting and the length is necessary to the theme, which is that people sometimes drink to overcome boredom and without a drink time can seem to pass very slowly.

King Baby works by a mixture of case studies and group therapy. There are seven characters, all but one of whom is either a reformed alcoholic or seeking to become so. Jimmy, who runs the unit, is there because his wife was killed in a car crash while he was the drunken driver. Raymond, his assistant, used to be an alcoholic ambulanceman. Once when he ran somebody over, he drove him straight to the hospital and people said how lucky the victim had been to be knocked down by an ambulance. This is one of the few (chilling) laughs in the piece.

The rest are a social mix. Jimmy, the 70-year-old Irishman, says that the English think his condition comes with the accent. There are two women, one middle-aged, the other only 20. The hardest nut to crack is James King or King Baby, the car dealer who used to used to make a lot of money "when that sort of thing was fashionable". The problem is his pride: he does not want to admit that he needs to be treated and is there only because his wife (the seventh character in the play) has otherwise threatened to leave him.

The plot, such at it is, hangs on the breaking down of Jimmy. He despises group therapy and at one stage ostentatiously reads the *Financial Times* rather than take part in the exchanges. At another he appears to be back on malt whisky until the bottle turns out to contain only Tizer. But break down he does, in the end. By then everyone has told their story, but there is a final twist; when King Baby's wife comes to collect him, it looks as if she might not be staying with him.

The explanation of why King Baby became so disturbed in the first place is conventionally feeble and it is not clear why there are so many references to religion when the message is that alcoholism is a self-inflicted medical disease, "the most expensive club in the world with people dying to get in". Yet those are small matters. *King Baby* as it goes on becomes an addiction in itself.

Jimmy is played by Lalor Roddy; his stature grows as the role develops. Tom Georgeson's King has the occasional lapse in diction, but that may be part of the act. There is a wonderful vignette by Sheila Reid as the elder of the women alcoholics. The smaller parts are faultless. The direction by Simon Usher judges the pace with precision.

(In repertory at The Pit, (071) 638 8891)

Malcolm Rutherford

Ennio Marchetto

The Lyric, Hammersmith, programme for Ennio Marchetto makes no mention of guest artist Paul Morocco, who is responsible for the juggling in Part One, writes **Alastair Macaulay**. Like many in the audience I assumed, in my review on this page yesterday that this was yet another of Marchetto's personae. My apologies to both artists.

Dance/Alastair Macaulay

Richard Alston in La Rochelle

Richard Alston, late of the Rambert Dance Company, is the best choreographer we Britons have – even though we do not now know where we will find him next. All around us dance is straining against its nature – towards heavy-footedness, expressionism, mime routine, or academicism – but Alston just keeps making real dances. This seems an old-fashioned virtue now, but it is a true one. And it is the reason why, not long ago, he seemed our modern dance's brightest pioneer. Noone since Ashton has done more to establish a British dance style.

Alston is also exceptionally musical. Sometimes he has tried the wrong music – scores too ineffable (Mozart) or too weak (Steve Reich) – and this was the main flaw in his work for the Rambert during his last four years there (1989-92). But when music inspires him, there is no choreographer alive who can better illuminate his score. Just as Balanchine's dances taught thousands of dance-goers (even some music critics) how to hear and love Stravinsky and Hindemith, so Alston has taught many of us to concentrate with pleasure on Charles Amirkhanian, Nigel Osborne, Simon Waters, Peter Maxwell Davies. Music and dance are different elements; Alston is one of those rare alchemists who can fuse them to create a sum larger than the parts.

It is our loss than his latest work was made in the much better-subsidised dance terrain of France. *Le Marteau sans maitre*, to Pierre Boulez's eponymous score, has been created in La Rochelle, in rehearsal conditions that any British troupe should envy, for the Compagnie Chopinot. Boulez's long score (40 minutes) passes through a wide variety of tempo and sound (soprano, percussion, wind, strings, in different combinations), and has stimulated Alston to fashion a rich, constantly shifting, line of dances – as if Boulez has created a whole gallery and Alston were showing us room after room. And because this is music through which whole currents of world music seems to pass (Oriental, African, Schoenberg, Satie, Cage), the dance seems alert too to wide currents of history and culture.

Everything has texture. Apart from his musical gifts, Alston has an exceptional flair for showing the body to maximum 3-D effect The effect is sculptural, but not static; motion is implicit even in the choreography's stillnesses. The work is structured to emphasise male-female duets and differences between male and female styles; Alston is not telling stories or illustrating the enigmatic René Char poems that form the music's text, but he is allowing a large structural tension to evolve poetically. (All of which illumines the score.) As the piece reaches its conclusion, Chopinot herself and Georgette Louison Kala-Lobe (her real-life sister) meet – first with, then without, their partners. The effect is poignant, and the piece ends on Chopinot alone, moving between shadows and light.

Le Marteau is part of an Alston double bill; the other work is a revival of his 1977 *Rainbow Bandit*, originally made on London Contemporary Dance Theatre, in which Gerard Boucher's lighting emphasises the abstract drama behind the work.

'Le Marteau sans maitre' is being toured in France by Compagnie Chopinot until June. Richard Alston is one of the four choreographers featured in Part Two of 'Striding Out – Aspects of Contemporary and New Dance in Britain,' by Stephanie Jordan (Dance Books, £10)

Sculptural but never static: scene from 'Zansa' (Ballet Rambert, 1986), one of the examples of Richard Alston's work in Stephanie Jordan's recent book

INTERNATIONAL ARTS GUIDE

■ BOLOGNA

Two new productions of Italian opera can be seen at the Teatro Communale over the coming week. Ivor Bolton conducts Graham Vick's staging of Monteverdi's L'incoronazione di Poppea tonight, Sun, next Tues and Fri, with a cast including Jennifer Larmore, Anna Caterina Antonacci and Adelina Scarabelli. Tomorrow is the first night of Enzo Dara's new production of Cimarosa's Amor Rende Sagace, featuring a cast of leading young Italian singers (runs till Feb 3). Mon: Joshua Bell violin recital (529999)

■ DRESDEN

Semperoper Tonight and Sat: ballet triple bill. Tomorrow: Myung Whun Chung conducts Dresden Staatskapelle in works by Mozart, Haydn and Schubert. Sun: Lohengrin. Tues: Il barbiere di Siviglia. Wed: *La Cenerentola*. Jan 31: new production of Bartered Bride (484 2731)

Kulturpalast Sat and Sun: Jean Fournet conducts Dresden Philharmonic Orchestra in works by Massenet, Tchaikovsky, Debussy and Roussel (486 6306)

■ GENOA

Rigoletto opens at the Teatro Carlo Felice on Sun, staged by Lamberto Puggelli and conducted by Fabio Luisi. The production, with double casts, runs till Feb 14 (589329)

■ THE HAGUE

Danstheater Tonight: Nederlands Dans Theater in a mixed bill including new work by Hans van Manen. Repeated Jan 28, 29, Feb 4, 5 (360 4930). Tomorrow in Dr Anton Philipszaal: Roland Kieft conducts Netherlands Student Orchestra in works by Altena, Gershwin and Shostakovich (360 9810)

■ LONDON

THEATRE

- King Lear: Tom Wilkinson stars in a new production directed by Max Stafford-Clark - the Royal Court's first Shakespeare since 1980. Opens tonight (Royal Court 071-730 1745)
- The Last Yankee: Arthur Miller's new four-character play with a cast including Peter Davison and Zoe Wanamaker, directed by David Thacker. Now in previews, Press night on Tues (Young Vic 071-928 6363)
- Cyrano de Bergerac: Robert Lindsay stars as the romantic soldier-poet with an enormous nose. Stage adaptation by John Wells, directed by Elijah Moshinsky (Haymarket 071-930 8800)
- The Rise and Fall of Little Voice: Alison Steadman as a larger-than-life mum in Jim Cartwright's new play about a reclusive little girl with a gift for mimicing her singing idols (Aldwych 071-836 6404)
- Carousel: Nicholas Hytner's spectacular production of the much-loved Rodgers and Hammerstein musical. Till March 27 (National Theatre 071-928 2252)
- An Ideal Husband: Peter Hall Company production of Oscar Wilde's comedy, starring Anna Carteret, Michael Denison and Hannah Gordon (Globe 071-494 5067)
- For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

DANCE/OPERA

Covent Garden Royal Ballet has a triple bill including MacMillan's Judas Tree tonight, next Wed and Thurs, and Cinderella on Sat and Tues. Royal Opera has a final performance of Alcina tomorrow, and the first night of Stiffelio on Mon (in repertory till Feb 18), conducted by Edward Downes, staged by Elijah Moshinsky, with a cast led by Jose Carreras and Catherine Malfitano (071-240 1066)

Coliseum ENO has a final performance tonight of Ken Russell's production of Princess Ida. Tomorrow, next Tues and Fri: Carmen with Sally Burgess and Edmund Barham. Sat: final performance of The Adventures of Mr Broucek. Mon: revival of Jonathan Miller's production of The Turn of the Screw with Valerie Masterson and Philip Langridge (071-836 3161)

Royal Albert Hall Bolshoy Ballet season runs daily except Mon till Feb 14, with a repertory consisting of extracts from 13 classical works staged by Yuri Grigorovich (071-589 8212)

CONCERTS

South Bank Centre Tonight: Vladimir Ashkenazy conducts RPO in Walton's Henry V, Cello Concerto (Misha Maisky) and Belshazzar's Feast. Tomorrow: Vernon Handley conducts LPO in works by Holst, Beethoven and Rakhmaninov. Sun: Martin Turnovsky conducts Prague Symphony Orchestra in works by Brahms and Janacek. Mon: Handel's Ottone with James Bowman. Next Tues, Thurs and Fri: Mitsuko Uchida is piano soloist with LPO conducted by Franz Welser-Most. Tues (in QE Hall): Imogen Cooper plays Chopin with Scottish Chamber Orchestra. Feb 7: Boulez conducts Messiaen and Elliott Carter. Feb 8: Solti conducts Vienna Philharmonic (071-928 8800)

Barbican Sat: London Sinfonietta 25th anniversary gala concert, including new works by Oliver Knussen and Robert Saxton. Sun afternoon: Yo Yo Ma cello recital. Tues: London Schools Symphony Orchestra plays works by Elgar, Debussy and Nielsen. Next Fri: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe. Next Sat: Gidon Kremer (071-638 8891)

■ MADRID

Auditorio Nacional de Musica Tonight: piano recital by Marcella Crudelli. Tomorrow, Sat, Sun: Salvador Mas conducts Spanish National Youth Orchestra and Chorus in Mahler's Third Symphony. Next Tues: chamber music from 18th century Spanish court. Next Thurs: Trio de Florencia (337 0100)

Teatro Lirico La Zarzuela Sat and Mon: Luis de Pablo's Kiu, conducted by Jose Ramon Encinar, staged by Francisco Encinar. Next production: Jenufa, opening Feb 8 (429 8225)

■ PRAGUE

CONCERTS

Tonight and tomorrow in Dvorak Hall, Jiri Belohlavek conducts Czech Philharmonic Orchestra in works by Hindemith, Berio and Franck (contralto soloist Jard van Nes). Sat: Talich Quartet plays Brahms (286 0111). Sat in Smetana Hall: Ars Rediviva plays works by Bach and Benda (232 2501)

OPERA

National Theatre has Don Carlos tonight, Bartered Bride tomorrow and next Thurs, La boheme on Sun, La forza del destino on Tues and Lucia di Lammermoor on Wed. Jan 29: new production of Rossini's La scala di seta (205364). Estates Theatre has Don Giovanni on Sat and Le nozze di Figaro on Jan 29 and 31 (228658). Prague State Opera has Madama Butterfly tomorrow, Rigoletto on Sat and L'elisir d'amore on Sun (265353)

- For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 261602, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

■ ROTTERDAM

Libor Pesek conducts Rotterdam Philharmonic Orchestra in Smetana's Ma Vlast tomorrow evening and Sun afternoon at De Doelen (also tonight in Utrecht). Next Tues, Wed, Thurs: Gianluigi Gelmetti conducts works by Rossini, Mozart and Mendelssohn (413 2490)

■ STOCKHOLM

OPERA/DANCE

Tonight at Royal Opera: Shnitke's ballet Peer Gynt choreographed by John Neumeier. Tomorrow and Mon: Simon Boccanegra. Sat and Tues: Cosi fan tutte. Wed: Cav and Pag. Next Thurs: Arabella (248240)

CONCERTS

Gennady Rozhdestvensky conducts Stockholm Philharmonic Orchestra tomorrow at Berwaldhallen in works by Webern, Ludvig Norman and Shostakovich (784 1800). Sat afternoon at Konserthuset: Rozhdestvensky conducts a light programme.(244130)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

Man who put a charge into General Electric

BOOK REVIEW

CONTROL YOUR OWN DESTINY OR SOMEONE ELSE WILL
By Noel Tichy and Stratford Sherman
Doubleday, $24, 374 pages

THE NEW GE
By Robert Slater
Business One Irwin, $24.95, 295 pages

Ask America's top business leaders which *of their peers* they admire most and the name Jack Welch would almost certainly win the biggest vote.

Since taking over as chairman of General Electric in 1981, at the age of 45, this restless, contentious and charismatic individual has engineered a revolution in the running of one of the country's largest, most conservative and complex business groups.

The financial results speak for themselves. GE has enjoyed strong productivity and earnings growth for much of the past decade, and its share price has more than quintupled. Yet all around it, former giants of US industry have been falling flat on their faces, victims of inertia and complacency. Control Your Destiny Or Someone Else Will – one of Welch's favourite aphorisms and the title of Tichy and Sherman's book – could serve as an epitaph for Robert Stempel, ousted last year as chairman of slow-to-change General Motors. It might yet apply to John Akers, chairman of IBM, which on Tuesday reported the biggest annual loss in corporate history.

The volume by academic Tichy and journalist Sherman is significant because it is the first scholarly attempt to pin down the secret of GE's success. Tichy, a professor of organisation at the University of Michigan School of Business, can speak with authority about GE, since he has had a ring-side seat at the Welch transition, both as a long-time consultant to the company and as head of its executive training school for two years. But this hardly makes him an impartial observer.

There appear to be three main elements to Welch's success. The first was his realisation at the start of the 1980s that all was not well with GE, even though the company was one of the most admired in the US. Welch, a brilliant entrepreneur who had revitalised profits in every GE division he had run, saw that the conglomerate's hodgepodge of businesses was ill-equipped to compete in a world of intensifying global competition. He ruled that henceforth every GE business must be first or second in its sector or face disposal.

His second great achievement was having the guts to stick by this strategy in the early 1980s as GE laid off thousands of workers, cut layers of management and sold 125 businesses, while critics declared that he was trying to mend a fine company which *did not* need fixing. He has never entirely shed the label "Neutron Jack", which the press pinned on him at that time.

The third, which has taken place over the past five years, has been a transformation more subtle, but arguably of far greater long-term importance, in GE's business culture. Welch has been trying to create an organisation which embraces change as inevitable, rather than resisting it; where information flows freely around the group, rather than being jealously hoarded; and where employees are given important powers to control their working environment.

These ideas have been encapsulated best in "work-out" – a programme begun in 1989 which involves small groups of employees from all levels of a business getting together to thrash out common problems. They are encouraged to speak freely, with the promise of no retribution from managers.

Worker participation in continuous improvement is hardly a new idea. What is novel is the sheer scale and commitment of GE's endeavour. For example, managers presented with ideas for change are required to say quickly whether they support them or not. There can be no fudging.

Tichy and Sherman give a helpful, clear account of all these developments, illustrating their case with interesting case studies of individual businesses which have been turned around. But the book is marred by being too reverential, devoting remarkably little space to the weak spots in Welch's record. Tichy and Sherman do acknowledge, but do not delve deep into, the fact that in 1985 the revolution had become so unpopular that Welch "slowed the very process of organisational change that he was so urgently trying to accelerate. His efforts to change a corporation that most people still regarded as healthy caused deep emotional trauma."

Nor is there any substantial mention of GE's problems in running the NBC television network, which ranked first in the US ratings when Welch acquired it in 1986 but is now third. Are creative businesses poor candidates for the GE treatment? The NBC saga is, however, covered at length by Slater, a journalist and prolific author, whose racy and generally favourable account of the Welch era is descriptive rather than analytical, yet touches on areas where the management may be open to criticism.

It is Tichy's contention that Jack Welch will go down in history as one of two 20th-century business leaders remembered for their ideas, alongside Alfred Sloan, who thought up the modern corporate management structure when he put together General Motors in the 1920s and 1930s.

This seems unlikely. For the ideas Welch espouses are either specific to GE or interesting variations in the general stew of modern management theories, which holds that the successful 21st-century business will need to be participatory, not authoritarian.

Given the track record so far, what Welch will be remembered for is his remarkable ability to articulate a vision for GE and then execute it successfully. It calls for an unusual combination of intelligence, leadership and communications skills, which cannot be learnt from reading GE primers. Just ask Robert Horton, who rushed into the chairmanship of British Petroleum with a revolutionary manifesto for cultural change that owed a lot to Welch's track record at GE. Two years later he was ousted in a boardroom coup.

Martin Dickson

ECONOMIC VIEWPOINT

No one answers for anything

By Samuel Brittan

The first report of the new House of Commons Treasury and Civil Service Committee is like a curate's egg: good in parts. It contains more quotable sharp remarks but is less consistent than the reports of its predecessor under Sir Terence Higgins.

Nevertheless, the section on the departure from the ERM on Black Wednesday, September 16, is singularly unrevealing, as members were too credulous of official excuses, especially from the Bank of England. What needed to be explained was not the desperation-born increases in base rates to 15 per cent on September 16 itself, but the losses incurred in continuing to support sterling when, as the official witnesses themselves confirmed, they realised they were in the monetary equivalent of the Charge of the Light Brigade.

The only excuse heard by protesting members of the inner cabinet is that suspending membership before the close of European markets might have been a breach of legal obligations – hardly an *excuse that would have been* used if officials' own personal funds had been at stake. The committee's recommendation that the losses from intervention (believed to be £2bn to £3bn) should be published is only the beginning of the required investigation; but even that is officially rejected.

'One of the world's least successful missions'

Meanwhile, I can add a little nugget. On Monday, September 14, a high-level economic mission led by Alan Budd and Mervyn King, the chief economic advisers to the Treasury and Bank respectively, visited first Frankfurt and then Bonn to try to persuade their German opposite numbers that sterling, at its DM2.95 entry rate into the ERM, was "not obviously overvalued".

The mission had arisen out of a conversation between Nigel Wicks, UK second Treasury permanent secretary, and Horst Köhler, state secretary of the German finance ministry, and had been arranged the previous week – between the disastrous meeting of Community finance ministers at Bath and the weekend of the lira devaluation. One wag close to events decribed it as "one of the world's least successful missions". For it failed to shake the Bundesbank's belief that sterling was overvalued.

Its members saw the high-powered Bundesbank economic adviser and board member, Otmar Issing, who listened carefully but did not regard the time appropriate for an academic discussion in view of the currency *turmoil, and* emphasised that the Bonn government was responsible for parity negotiations.

The object of the Budd-King mission was:

- To explain the case for the DM2.95 sterling rate.
- To argue that sterling and the French franc were in the right relationship. In other words, to persuade the Ger*mans not to drive* a wedge between Britain and France in the degree to which their currencies were worth supporting.

They also tried to persuade the Bundesbank to see the current balance of payments as a purely private sector problem which would take care of itself.

The British team found that their German opposite numbers were not aware of some big UK economic changes, such as the slowdown in wages and the productivity take-off.

The UK side was plainly right on unit labour costs. These were increasing in the second half of 1992 by 2 per cent per annum, much less than in Germany – although in France they were actually falling. On the payments deficit, the UK mission was out of date because of the arrival of the "twin deficits" problem – payments and budget deficits.

The British visitors were under strict instructions not to discuss exchange rate changes or realignments but to stick to long-term analysis. The emphasis was on "graphs and charts" and exchanges between "card-carrying economists". This was surely something of a waste of officials of near permanent secretary level in a growing emergency. The idea of a combined high-level probe of fundamentals was a good one; but it was several months too late.

During the discussions, the Germans behaved as if the British knew of the realignment offer – which makes all the more surprising the British official astonishment at Helmut Schlesinger's Handelsblatt interview and the selling pressure against sterling.

The British government, in its innermost thinking, was prepared to support an upward realignment confined to the D-Mark and its satellite currencies. Crucial to such a realignment would have been French willingness to see the franc fall against the D-Mark. Some British policymakers thought this would happen if only the system could have pulled through until after the French referendum on September 20.

In retrospect, close observers believe that the fatal mistake made at the Bath European finance ministers' meeting on September 6 was to leave each country to go its own way. The only chance of saving the ERM grid was to have concerted statements by all the major actors and concerted interest changes, including if necessary double or treble-digit day-to-day interest rates in the period up to the French Maastricht referendum.

Where the franc is now

The British government view that the franc should follow sterling rather than the D-Mark was always wishful thinking. Despite the unpopularity of Mitterrand and slowly rising unemployment, the currency fundamentals are more favourable to the franc than they ever were to sterling. France has lower inflation, a better budgetary and balance of payments position, and a less bad recession than Germany, let alone the UK.

The French government has already withstood two speculative attacks on the franc in September and in January. A much larger attack is expected in the run-up to the March parliamentary elections; and the Bundesbank is fully on board for a combined defence.

Any commentator who ever drops his guard and believes official statements on exchange rates is liable to end up with egg on his face, as I know to my cost. The difference between the franc now and sterling last September is that, if the French currency is forced into a temporary float, it may before long rise against the D-Mark. Indeed Bundesbank members have said it is a revaluation candidate. *It is this* knowledge, more than any government statements or currency intervention, that is supporting the franc and making speculators pause for thought.

Glasnost, no perestroika

The most quoted single phrase in the Commons committee's report was "*glasnost* without the *perestroika*" to describe the the new economic information offered by the Treasury.

This is not strictly accurate. For *glasnost* means openness: Yet *despite the new publications*, the present UK system of government is anything but open. As Norman Lamont told the committee: "You will not know what advice is tendered *by officials* or *anyone else.*" Whether he knew it or not, he was simply repeating the orthodoxy of generations of permanent secretaries, who regard the confidentiality of advice to *ministers as* the Ark of the Covenant.

I came across this orthodoxy when I was foolhardly enough to send the proofs of my book on the Treasury to the then permanent *secretary. The* upshot was a lunch with the then chancellor, Reginald Maudling (courtesy of The Observer) in which he jovially read me the *riot* act.

That he had been put up to it became clear some years later when he reviewed the second edition very favourably and remarked that the text was accurate wherever he was in a position to know.

The self-serving Whitehall view is that officials will not give honest advice unless it is secret. It is just as likely that the advice will be better if those giving *it know it will be subject to public scrutiny.*

In a responsible system, the Bank would have one set of duties and the Treasury another set; and officials in both would account for their work. We would know if the chancellor received bad advice or refused to take good advice. By contrast, today everyone is responsible for everything and no one is responsible for anything. Hence Black Wednesday and numerous other disasters.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Russian arts need proper funding

From Ms Verina Glaessner.

Sir, John Lloyd's article, "The arts perform a dance of death" (January 16), reads a mite pessimistically. Russian culture does indeed risk both bastardisation and provincialism, but it has withstood worse. What is of particular concern is the use of what funds are available. A fraction of the cost of the "operatic pageant" which Lloyd argues "should have been" a showcase event this summer could have enabled the reopening of the first few splendidly restored rooms of the State Historical Museum, under the very windows of which it was held. That museum, an architecturally unique 19th century building, has breathtaking collections that travel the world but remain invisible at home.

The government has appeared to lack any arts policy at all, but perhaps there are signs of change. John Lloyd also fails to mention the question of cost. Massive funding for films "that three people saw" and musicians who "never perform in public" is all very well, but people need running water too.

A proper arts policy requires a solid safety net of government funding. This implies a properly administered taxation system.

Verina Glaessner,
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A quick 'fix' will not resolve problems in electricity supply

From J D Rodger.

Sir, Your leader ("Extra time for British Coal", January 14) was a useful review of a possible subsidy for British Coal, but it said nothing about the fundamental elements of the problem.

The present situation has arisen directly from the decisions made on restructuring the electricity supply industry for privatisation. If generation had had a different structure (eg five or six fossil-fuel generators instead of two) and if a different approach had been taken on pricing – such as using the pool only as a merit order rather than a price-setting mechanism – different decisions would have been made on new investment and fuel selection.

A quick "fix" in the form of a subsidy for British Coal will do nothing to address the fundamental problems in electricity supply, which have given rise not only to the problems in coal but also to excessive price increases which are damaging British industry.

As major electricity consumers, and indeed as citizens, our members look to the government to tackle the fundamental problems, so that we can progress to a situation in which sensible decisions are made on fuel selection, and electricity is supplied to industry at competitive prices.

J D Rodger,
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The failure of economic scientists – the alchemists of the 20th century

From Mr Jonathan Virden.

Sir, In his consideration of the qualifications of the new team in Washington, Michael Prowse ("A wake-up call from Laura Tyson", January 18) touches on a most important point, the role of the economic scientist in 20th century government. The "science of economics" is in the same stage of development as was pre-Renaissance chemistry, otherwise known as alchemy. Alchemy was pursued as a way to make gold, literally: so is economics, though more figuratively and with more impact on most people. Both fail for the same reason.

The alchemists ignored (ignore means "did not know") facts or behaviour of the elements, so they failed to devise ways of control over what the elements would do. So no gold.

The economists ignore the facts of behaviour of people, especially collectively, so fail to devise rules which result in correct predictions. Often this is not for want of trying. But meanwhile, both economists and those who look to them for wisdom fail to see the failure and more and more fog is generated by a self-perpetuating group of like-minded people. Consulted, passionate, with no agreement among themselves, diverse, earnest and wrong. So no gold; just like the alchemists!

A spark of light may be indicated by the most recent award of the Nobel Prize for Economics to Gary Becker. He studied human behaviour first and drew out supportable rules for prediction of economic consequences: just like the early chemists looking for consistent behavioural rules, rather than relying on fantasy equations and projections of hindsight. When predictions become good enough to demonstrate predictable control rather than just change, economics will become a useful tool of government.

Economists have far to go to be worthy of the title "scientist"; that is, one who knows.

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Further means testing not right route to a modern welfare state

From Ms Fran Bennett.

Sir, Your leader on Labour's Commission on Social Justice (January 18) poses some of the problems involved in the *extension of means-testing*, but does not resolve them. Underlying the article is an assumption that the only legitimate aim for a social security system is the minimalist one of relieving poverty after it has already struck; and that the only source of finance for a better deal for people in poverty is the means-testing of so-called "universal" benefits. But a social security system in a sophisticated modern society should be multi-purpose; and there are far more obvious areas of expenditure (or forgone revenue) which could fund an attack on poverty.

Child Poverty Action Group believes that an extension of means-tested benefits is *not* an appropriate response to the call to "modernise" the welfare state.

First, it would not be able to respond to the current emphasis on individual aspirations. It is very difficult to improve your own situation through your own efforts if you are caught in the inevitable "poverty trap" caused by withdrawing means-tested benefits as well as paying extra tax and national insurance contributions.

Second, further means-testing would inevitably move us further away from individual rights to benefit for women; means-tested benefits are inevitably assessed on the basis of the couple or family unit, in a way no longer considered acceptable for income tax. Third, there seems now to be broad agreement that state help should be enabling, not controlling – yet means-testing gives enormous powers of intervention in the personal lives of the means-tested, and means that even those in work are dependent more on the state's decisions *about benefit* levels than they are on their own efforts for their financial position.

Last but not least, it is difficult, if not impossible, for means-tested benefits to give real "social security" as a basis on which people can experiment in today's changing labour market patterns, and on which children can rely if their parent(s) move in and out of today's changing family situations.

The arguments of today's *pro-selectivists* are not "radical", as you claim; they are just wrong. It is a pity that the Financial Times appears to have joined the ranks of the new means-testers.

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FINANCIAL TIMES
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Thursday January 21 1993

Mr Clinton's opportunity

MR CLINTON'S inauguration marks a watershed. His will be the first post-cold war presidency: he himself is the first post-second world war president. The desires of the American people meet the instincts of Mr Clinton in the belief that renewal starts at home. But it cannot end there. By what he does and what he fails to do, he will define not merely the future of his own country, but that of the world as a whole.

He acknowledged this in an inaugural address whose purpose was inspirational. "There is no clear division today between what is *foreign* and what is domestic" he said. "The world economy, the world environment, the world Aids crisis, the world arms race affect us all." The US remains the indispensable global leader, but acting in that capacity is also in its own interests. Mr Clinton's challenge is to link his domestic objectives to his country's global role. To succeed he must show not just his intelligence, which is evident, nor his political skill, which is unquestionable, but his capacity to choose. The formation of his cabinet gave something to almost every interest. His presidency must not.

Fortunately for Mr Clinton, his opportunity to make things happen is exceptional. The American economy is recovering, which means he can eschew short-term fixes. Congress is dominated by his own party. That could be said of Jimmy Carter as well. But the Democrats of today are both desperate for success and fearful of the American people's reaction to failure. To this receptivity at home must be added fluidity abroad. With the collapse of communism, the shape of the global polity can be refashioned. Others may influence where the world will go, but nobody can rival Bill Clinton in his capacity to determine the outcome.

Choice starts at home. The new president should leave economic recovery in the capable hands of Mr Alan Greenspan and focus instead, on two strategic issues: the role and financing of American government and reform of the American health system.

A credible programme to eliminate the budget *deficit is urgent*. Since the US needs more public investment and probably more current spending as well, the answer is higher taxes. The introduction of a value added tax is the best solution. Higher taxation of petrol could be a complement. Reform of the health system to provide adequate coverage for all, at a bearable cost, will prove both technically and politically difficult. It is nevertheless essential.

Internationally, Mr Clinton has the chance to help create a truly global liberal economy, one of the great objectives of postwar US statesmanship. But first Mr Clinton must resist the inclination of some Americans towards narrow-minded mercantilism and of others towards a short-sighted moralism.

Some of those who surround the new president believe that the best way to spread human rights is to withdraw opportunities to trade. They are wrong, particularly in the the most important case, that of China. Others believe that the success of American industry requires an aggressively unilateralist trade policy. They too are wrong. To be effective even in its own terms, US industrial policy has to be disciplined by the international rules that have so long been a goal of US policy. Completing the Uruguay Round is in US interests. So too is greater support for Mr Yeltsin's reforms than afforded in practice by Mr Bush.

Mr Clinton's in-tray is full, but he has a brief opportunity to set his own agenda. He will be a successful president only if he makes the hard choices that he blurred in his search for the office. He must also persuade the American people and fellow politicians to accept what he decides. Yesterday, he asked his fellow citizens to break the "bad habit of expecting something for nothing". He will need all his political skills to make that message stick.

Airtours bid

THE HOSTILE bid by Airtours, Britain's third biggest package tour company, for Owners Abroad, its larger rival, poses an interesting test for competition policy. If the deal goes through, it will create a group with almost a third of the UK package tour business, above the 25 per cent market share which would normally prompt a reference to the Monopolies and Mergers Commission.

Airtours appears confident, nonetheless, that the Office of Fair Trading will not recommend a reference. Whatever private reassurances it may have received, the company can point to the MMC investigation into the 1988 takeover of Horizon by Thomson, the market leader. Though that deal also breached the 25 per cent threshold, it was cleared by the MMC, which found that vigorous competition would continue.

That view has been vindicated by subsequent price wars and by evidence that Thomson's market share has fallen since the merger. However, circumstances may have changed. While the Thomson takeover created one big group in an otherwise highly fragmented market, the Airtours deal would create a duopoly accounting for some two-thirds of package tour sales.

Such an outcome need not be against the public interest. Duopolists compete fiercely in industries like soft drinks. In package tours, the emergence of larger groups may even yield consumer benefits by bringing much-needed stability. There may also be opportunities for larger operators to reap scale economies, for example in hotel bookings.

The task for policy is to ensure that competitive pressures push these gains on to consumers. The principal issue is less duopoly *per se* than the trend to vertical integration. If the merger succeeds, the two biggest tour operators will also control three of the UK's charter airlines and almost a third of package tour sales.

There is a risk that dominant groups might discriminate against independent competitors by, for example, denying them access to charter capacity in boom times and refusing to sell their products when demand is weak. If the Airtours merger is allowed to proceed, the OFT should make clear its determination to prevent any such abuses. Better still, the MMC should be asked to examine the package tour business in depth.

Europe's agenda

YESTERDAY'S PUBLIC row in the European Parliament, between the Danish foreign minister and Greek deputies, over Greek resistance to the diplomatic recognition of Macedonia was a lamentable distraction. Greek fears that an *independent Macedonia* might harbour territorial ambitions are too obsessive. But Mr Ellemann-Jensen did not enhance his role as the new president of the Community by engaging in a public slanging match.

Moreover, the row distracted attention from the rest of the Community's agenda during the next six months. The overriding priority is to secure the ratification of the Maastricht treaty, by Denmark and by Britain. In the meantime, the most important innovation will be the opening of membership negotiations with four applicant countries from Efta. Externally, the Community must work on strengthening co-operation with the US, starting with a serious effort to secure an agreement on the long-delayed Uruguay trade negotiation.

The problem with Mr Ellemann-Jensen's straightforward presentation was that it skirted round the profound policy conundrums which surround the Maastricht treaty, the programme for economic and monetary union, and the prospective enlargement of the Community. These conundrums are fundamental and urgently need to be addressed.

First, what is really left of the policy objectives contained in the Maastricht treaty after the Danish opt-outs? Ostensibly, these concessions are unique to Denmark; but the Danish precedent implicitly renders all Maastricht commitments more voluntary. This problem could be critical for the enlargement negotiations: it will certainly be difficult for Denmark as president to insist that Sweden must shoulder obligations which Denmark itself has chosen to evade.

Second, what can be done to restore credibility to the programme for economic and monetary union, after the storm of Black Wednesday? Though the turmoil seems to have subsided somewhat, the system is manifestly under systemic strain and speculative pressures are likely to recur right up to the French elections in March, and beyond. Whether or not monetary union is still a credible objective, the source of these tensions needs to be identified and addressed.

Third, the enlargement negotia*tions* will require an overhaul of the EC institutions: with 16 members the Community will need more streamlined decision-making rules, and a reduction in the voting premium enjoyed by small countries. This is a deeply contentious issue, but it risks becoming insoluble if it is not tackled now.

A long way to go, but little time

The German government's savings package is a tough response to budget pressures, says **Quentin Peel**

It must be honestly admitted, even in the most loyal circles surrounding Chancellor Helmut Kohl, that his sweeping savings plan to finance the soaring costs of German unification has gone down like a lead balloon.

The 50-page "federal consolidation programme", painfully negotiated by Mr Theo Waigel, the finance minister, with his coalition partners *and published on Tuesday, spares* no one in its distribution of the cuts. It is one of the most comprehensive attempts to reduce both social spending and industrial subsidies to have been made by a postwar German government.

The programme, which involves cuts of DM20bn (£8.20bn) a year by 1995, is intended as the federal government's main contribution to a "solidarity pact" with the opposition, the 16 *länder* (state) govern*ments, trade* unions and employers, to pay for unification and revive the collapsed east German economy.

Yet it has pleased no one, not even the parliamentary parties backing the ruling coalition.

A clear majority of west German electors say they are not prepared to give up any of their income to pay for the costs of unification; that is what they are being asked to do.

Equally, it is clear that east German leaders do not think that the modest amounts of extra cash being liberated will seriously dent the problems ahead of them.

As for the budget disciplinarians, including the German Bundesbank, who have been demanding radical action by the state to reduce its bloated deficits, the package simply does not go far enough. The shock of Tuesday was that, far from keeping the federal government's net borrowing requirement under control in the current year, the plan would actually push it up another DM10bn (£4.10bn) to DM53bn. The cause is a drop in tax revenues and an increase in unemployment costs resulting from the downturn in the German economy.

Coming on the same day as a long-heralded and lacklustre Cabinet reshuffle, the package would appear to demonstrate the widely held view in German political circles that the Kohl administration is adrift without ideas.

The reality is inevitably rather more complicated.

For a start, perhaps the most positive response to the whole solidarity pact package came yesterday from the least likely source – the mighty IG-Metall engineering workers' union. Mr Franz Steinkühler, the union leader, has been negotiating quietly with Chancellor Kohl for months. All the indications yesterday were that he was still very much on board to do a deal on the solidarity pact.

Officially, the union went out of its way to welcome several of the principal aspects which emerged from the government's proposals, all of which were answers to trade union demands made in the talks.

They include the public acceptance that east German enterprises which cannot be sold by the Treuhand privatisation agency, and yet which offer some hope of becoming profitable in the long run, can be preserved as "federal industrial properties". That amounts, according to Mr Jörg Barczynski, the union spokesman, to a "180-degree turn in Treuhand policy".

This concession is complemented by an increase in the investment subsidy payable to small-scale east German businesses from the current 8 per cent of planned investment to 20 per cent.

The government has also accepted an increase in the oil tax, from January 1 1994, to help finance the debt burden of the German railway system.

And finally it has agreed – not explicitly in the document, but according to an assurance by Chancellor Kohl – that the government will not attempt to enforce, through legislation, a renegotiation of wage contracts in east Germany. These contracts offer eastern German workers wage parity with their counterparts in the west by 1994. A significant slowing of that process is demanded by the employers, but Mr Kohl has said that it must be negotiated with the unions and not imposed by the government.

As for the other the government cuts, they are still being weighed up in the union's Frankfurt headquarters.

What the package put forward by Mr Kohl and Mr Waigel does demonstrate, nonetheless, is the ever-shrinking room for manoeuvre of the German government between the Scylla and Charybdis of east German structural collapse, and west German economic recession.

On the political front that is compounded by the creaking processes of life in a coalition, where every government shake-up has to be dictated by the party balance, and acceptable to all. As the reshuffle demonstrated, it means that the least possible change is the most acceptable solution.

Given that reality, the consolidation package looks rather more impressive, and rather more comprehensive in its ambitions than it has yet been given credit for.

With a combination of spending cuts and backdoor tax rises, through abolishing a variety of special tax breaks and allowances. Mr Waigel has managed to find savings by 1995 – the first year they all become effective – of some DM20bn.

That is the crunch year for the financing of unification. All the accumulated debts, totalling at least DM400bn, including those of the Treuhand and the German unity fund, in which the whole panoply of old East German debt has been collected, will then be transferred to the cost of the central exchequer.

Against a financing gap in 1995 currently estimated at DM110bn – DM46bn for the debt servicing, and DM65bn for subsidising the impoverished eastern *länder* – savings of DM20bn may appear decidedly modest. Mr Waigel has announced his intention to reintroduce the "solidarity surcharge" on income tax to help bridge the gap. He has also started to slim some sacred cows.

He plans to introduce means tests for both children's allowances and the generous subsidy given for new babies; he plans to cut back unemployment benefits, in a bid to keep them below minimum wages; and he is proposing, to the horror of the property-owning classes, a 50 per cent cut in tax relief on mortgages on old houses.

He is also launching a new attack on the direct subsidies paid to agriculture, coal-mining and ship-building, all defended by formidable political lobbies.

The package thus appears to be a significant step in the direction of one of the principal demands of Mr Tyll Necker, president of the federation of Germany industry, the BDI – that it should create a "psychology of saving" not just in the public sector, but in the population at large.

The savings programme has, however, more precise and immediate aims which may prove more elusive. Most pressing is the intention, spelt out precisely by Mr Waigel in his plan, of persuading the German Bundesbank that it now has the necessary "room for manoeuvre for interest rate reductions".

Given the immediate DM10bn rise in this year's net borrowing requirement, that is questionable. The central bank was not giving the slightest hint yesterday of its reaction. In Frankfurt banking circles, however, there was a clear feeling that the *package so far has not helped the* bank to budge.

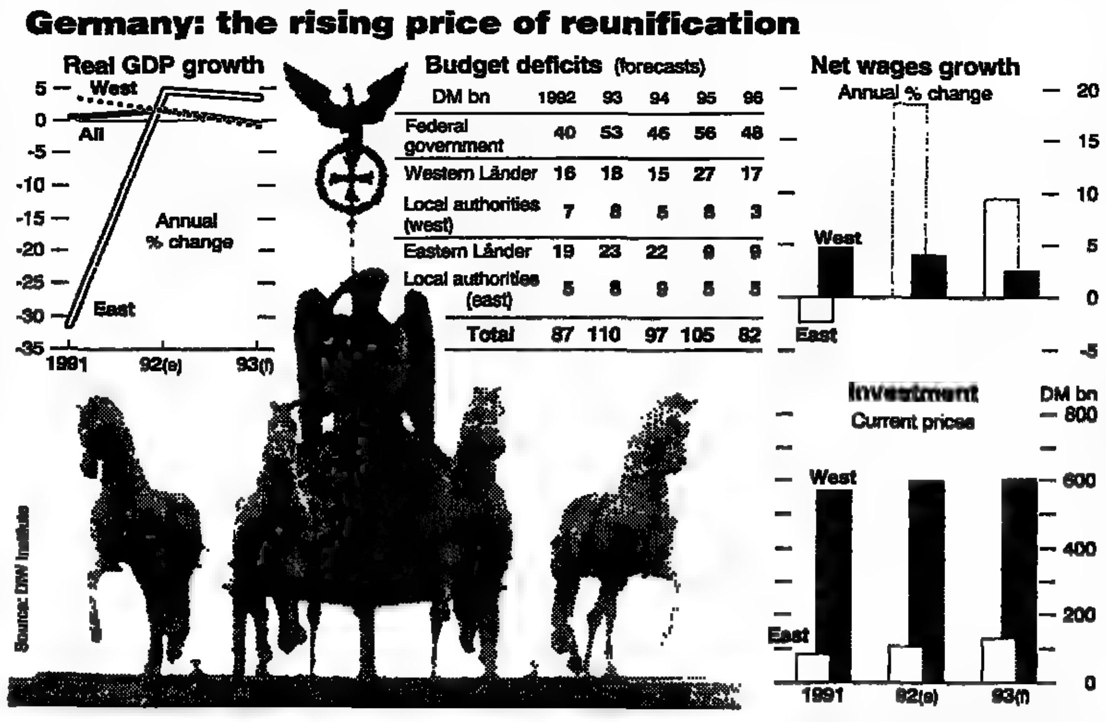
The truth is that the Bundesbank is insisting on seeing clear downwards movement in the underlying trends of both inflation and money supply, before it will relax its principal interest rates. It believes that movement is coming, but it is still not quite visible yet. The combination of a 1 percentage point increase in value-added tax on January 1, and administered price rises in eastern Germany, mean that both January and February are likely to see headline inflation figures about 4 per cent again – an upwards blip, before the downward trend to 3 per cent resumes.

Yet the domestic and international pressure for interest rate cuts is becoming hard to resist. German government and industry fear that the current downturn could persist long after mid-year – the hoped-for turning point – if interest rates stay too high too long. And failure to move German rates down before the French elections in March could cause renewed pressure on the French franc.

If a solidarity pact can be agreed before then, it would give the Bundesbank just the credibility fig-leaf it needs to move.

That is the immediate gamble Mr Kohl and Mr Waigel have undertaken. In the long term, the figures for paying off the "burden of the past" in east Germany still look grim. But if they cannot get the German economy moving again before 1994 – election year – then the pain of paying for unification will be stretched well past the end of the century.

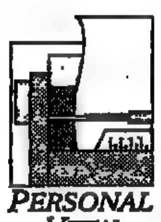
Germany: the rising price of reunification



Budget deficits (forecasts)

DM bn	1992	93	94	95	96
Federal government	40	53	46	56	48
Western Länder	16	18	15	27	17
Local authorities (west)	7	8	5	8	3
Eastern Länder	19	23	22	9	9
Local authorities (east)	5	8	9	5	5
Total	87	110	97	105	82

The era of no-commitment capitalism



PERSONAL VIEW

An executive in a big US insurance group confesses that it throws out unopened the annual reports of companies in which it invests. This group, along with many others, now relies on computers to guide its investment policy rather than analysis. This trend , however, can lead to imprudent investment.

The insurance company's investments are largely driven by the pseudo-scientific techniques of group rotation. This involves investors shifting their portfolios from, say, defence stocks to regional banks. All the subtleties and nuances of a particular business escape them. Either they do not care, because they are trading a particular industrial sector as a whole, or they do not know, because their computers miss so many fine-grained distinctions.

Those computers suffer from two big handicaps. First, they cannot see what is going on in the world. Being strong on history but weak on current events, they can only reason by analogy from the past.

Second, faced with the overload of too many unquantifiable forces at work – the Bundesbank, the collapse of the Soviet empire, to name two – the computer does what any of us with an instinct for survival would do – it ducks. It focuses on one or two factors and makes believe all the other variables will remain constant.

Computers, of course, are not the real problem; the problem is us. Rather than attach great weight to matters which are inherently uncertain, we cling to the facts about which we feel more confident, even though they may be less relevant.

The increasingly popular alternative to sector rotation and other such active strategies has been to become passive, and track the market indices. By some estimates a third of US pension fund equities are now indexed – they consist of a selection of stocks that matches those of a top market index, such as the Standard & Poor's 500. For an indexer, there is no need to read financial statements.

The asset allocators and the indexers, who now control a majority of US pension funds and other managed equities, may seem worlds apart, yet they have much in common. Active or passive, the focus has not been on particular businesses but always on the market. Beat it by a nanosecond (the actives) or join it (the passives).

US institutions are ignoring their social responsibility through computer-driven investing

A more appropriate programme is both simple and difficult. The simple part is to think small and establish whether a company has a well-defined market position, an excellent balance sheet, an ability to weather industry downturns, a good management and a reasonable share price. The difficult part is to buy against the crowd.

Keynes wrote to a friend 50 years ago: "To suppose that safety first consists in having a small gamble in a large number of different directions . . . as compared with a substantial stake in a company where one's information is adequate, strikes me as a travesty of investment policy." Keynes felt he could not know more than a few companies at a time. Peter Lynch, who ran Fidelity's large Magellan fund for many years, kept track of hundreds, but then he hardly slept.

My larger concern is that US institutions, which now manage more than half the country's equities, up from one-third in 1980, are ignoring their social responsibility through computer-driven investing. By focusing, for example, on short-term performance criteria, US institutions sold some big airlines in the 1980s to unsuitable buyers, not caring what happened to the employees or the millions who depended on their services.

Officers responsible for corporate pension funds could mitigate these problems by insisting that equity managers hold no more than 20 stocks and that they maintain an average holding period of at least two years. They could also require that the managers put a big part of their personal wealth in the fund they manage.

Computers cannot fathom the reach of the human spirit or the depth of our frailties; they are indifferent to social effects. This capitalism of computer analytics, this capitalism without knowledgeable and committed capitalists, lends itself to abuse that the larger community cannot countenance for long.

Louis Lowenstein

The author is Rifkind professor of finance and law at Columbia University, New York

OBSERVER

End of mission?

■ One of the first things on Bill Clinton's agenda, now that he is safely ensconced in the White House, is to decide what to do with America's overseas ambassadors. There are 162 of them who, unless told otherwise, must be out of their embassies within six weeks.

All of the politically appointed envoys will almost certainly be made redundant. While the 127 who are career diplomats may lose their embassies, however, they will not be out of a job.

One of the 127 is America's highly popular ambassador to the UK, Ray Seitz, whose future is arousing intense interest among Brits.

John Major, still nervous about any Clinton backlash following his party's support for President Bush's failed re-election campaign, has made little secret of his hopes that Seitz will be reappointed. Many others of all political colours share the same view.

But has Britain erred by lobbying too aggressively for Seitz?

History suggests he won't keep the job. One has to go back to the last century to find a US ambassador in London surviving a change of president. Whitelaw Reed served Presidents Taft and Roosevelt. But they were both Republicans. Only John Hay, who served Presidents Cleveland and McKinley, withstood a change of ruling and presidential party.

Seitz may survive because he is the first non-political figure to hold the job. But if he doesn't, the danger for Major is that it will be seen as another blow for the "special relationship".

Absorbing

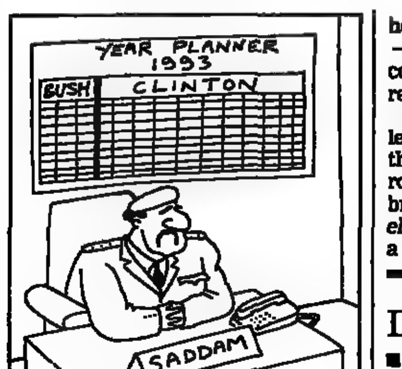
■ While it's puzzling how something best known for insolvency can be digested, that is what looks to be happening to Cork Gully after its merger with Coopers & Lybrand.

Like Deloitte Haskins & Sells which went the same way beforehand, the insolvency specialist is seeing its name disappear. Its annual commentary has this year been retitled the Coopers review, for instance, and top Cork Gully staff appearing in public are labelled as Coopers partners.

Could someone have decided that, much as the 1986 insolvency act is the kiss of death to corporate recoveries, the old name bestows a hangman's handshake on struggling companies?

Tamed

■ As if tiptoeing between a pair of hungry lions, most foreign dignitaries arriving in Jerusalem say nothing apt to provoke either Israelis or Palestinians. But Kyrgyzstan's president Askar



Akayev is clearly no such pussyfooter.

Warmly welcomed by Israel's president Chaim Herzog as the first visiting head of state from the former Soviet Union's mainly Moslem central Asian republics, he proclaimed: "I pray to Almighty God for the long-awaited independence of the people of *Palestine." Whereupon* foreign minister Shimon Peres observed tartly: "We are going to hold a dialogue with our guest."

Peres clearly has powers of persuasion. Yesterday his ministry triumphantly announced that Kyrgyzstan has agreed to follow Costa Rica and El Salvador in housing its embassy in Jerusalem – hub of of the Arab-Israeli conflict, which few nations recognise as the Israeli capital.

Even so, Akayev may well have left one lion purring in Israel at the price of finding the other roaring back home. His Moslem brethren in the Arab world and *elsewhere will no doubt now want* a dialogue with him in their turn.

Dolorous

■ The most notable thing about the government's New Horizons for Women exhibition, which employment secretary Gillian Shephard opened in Manchester yesterday, was that there was only one proper employer among the 36 exhibitors – Tesco.

The Conservative Women's Association, the TUC, the Soroptimists and the Pre-School Play Groups Association are jolly good things, but they can't do much to reduce the number of women in the dole queues.

Dawn raiders

■ *Hot tip from Hong Kong: Feng* Shui says the Year of the Cockerel is going to be another bumper year for the local stock market, the world's top performer last year.

It's not as daft as it sounds, if a Feng Shui index invented by Credit Lyonnais Securities (Asia) for the Year of the Monkey, which ends this weekend, is as accurate as it was last year. In terms of calling the market turns it proved far more deadly than any of Hong Kong's research teams – including Credit Lyonnais' own bunch.

Feng Shui, an ancient Chinese predictive art, involves study of the relationship between basic *elements, such as water and wind*. It also utilises the Chinese calendar. The Cockerel is an autumn animal, so punters can look forward to a much stronger second half of the year. The Feng Shui chartists are highly optimistic. Not so Credit Lyonnais' analysts who are increasingly nervous about the robed Feng Shui disciples encamped in a corner of their office.

Fatal attraction

■ In the wake of the hard sell and the soft sell, now the death sell.

On the same day as the British government is urged by a Commons select committee to join in the banning of tobacco advertisements across Europe, a poster advertising campaign is launched by a company which, like its products, is called Death Cigarettes.

"*We are selling cigarettes in a* progressive, responsible way, advertising the truth behind cigarettes, that they are dangerous and debilitating. At the same time we donate 10 per cent of our profits to cancer research," company finance director Sten Bertelsen explains gravely.

FINANCIAL TIMES
Thursday January 21 1993

Moslems agree to ceasefire with Croatian allies

Bosnian Serbs approve peace plan proposals

By Laura Silber in Pale, Bosnia and Robert Mauthner in London

BOSNIA'S Serbs yesterday approved by an unexpectedly large majority the first stage of an international peace plan, which their leader, Dr Radovan Karadzic, accepted in Geneva last week under extreme duress.

Their hands raised in the Serbian Orthodox three-fingered salute, 55 deputies of the self-styled Bosnian Serb parliament voted in favour of the constitutional principles for a future state of Bosnia-Hercegovina, with 15 against.

The large majority was deceptive. It was achieved after two days of fierce debate, during which most of the deputies bitterly criticised the international community and pledged never to capitulate to western threats at the expense of "holy Serbian goals".

The Serb assembly's vote coincided with the agreement of Bosnia's Moslem leaders to an immediate ceasefire of their recent clashes with their nominal Croatian allies, following the intervention of the international mediators, Mr Cyrus Vance and Lord Owen.

The co-chairmen of the Geneva peace conference on the former Yugoslavia had flown to the Bosnian capital Sarajevo yesterday for talks with President Alija Izetbegovic of Bosnia and his prime minister, Mile Akmedzic, with the specific aim of stopping the fighting, which was threatening the peace talks.

Rifkind warns on military deployment..................Page 6

Earlier, Mr Mate Boban, the Bosnian Croat leader had ordered his troops to stop fighting Moslems over disputed territory in the draft peace accords. After the Bosnian Serbs' vote and the Moslem-Croat truce, a spokesman for the mediators announced that the peace talks would be resumed in Geneva on Saturday.

Although the Bosnian Serbs have formally accepted the mediators' constitutional framework for Bosnia-Hercegovina, providing for a unitary state divided into 10 semi-autonomous provinces, it was clear that most of the deputies were still deeply opposed.

"We have to choose between war and peace," Mr Momcilo Krajisnik, the hardline speaker of the Bosnian assembly, said. "The decision was taken under international pressure and threats of isolation." His statement was a clear reference to the pressure to which Mr Karadzic and the deputies had been subjected by President Slobodan Milosevic of Serbia, anxious to see an end to the conflict and thus to international sanctions against Serbia.

At the meeting of the assembly in the converted canteen of the Famos motor factory, Serbian leaders assured the deputies that they were not renouncing the creation of a separate Bosnian Serbian Republic by their vote, whatever the international mediators might say. They emphasised that the most vital part of the Geneva peace process still lay ahead – the talks on the detailed map of the provinces into which the country would be divided.

The Serbs, who currently occupy some 70 per cent of the total territory of Bosnia-Hercegovina, have been allocated 43 per cent under the Vance-Owen plan. Mr Karadzic, who dismissed the proposed map as "arbitrary and unfair", said he would not support any solution which involved the abandonment by the Bosnian Serbs of their right to self-determination.

Solidarity pact: German chancellor Helmut Kohl (right) with finance minister Theo Waigel yesterday

Kohl's pact plan gets IGM backing

Continued from Page 1

sions from the government, spelt out in the federal consolidation programme published on Tuesday. They include a willingness to preserve east German enterprises in order to restructure them, even if they cannot be sold by the Treuhand privatisation agency by the end of 1994, and an increase in investment subsidies for business in the east. Another key concession welcomed by the union was the agreement to raise oil taxes in 1994 to finance the debt burden of German railways.

In a statement last night, the BDI said the government's savings package represented "an important move to bring its financial policies closer to the new economic realities of a united Germany".

Danish speech on Macedonia provokes Greek rage

By Lionel Barber in Strasbourg

MR Uffe Ellemann-Jensen, outgoing Danish foreign minister, yesterday provoked uproar in the European Parliament when he called on Greece to stop blocking EC efforts to reach agreement on recognition of the former Yugoslav republic of Macedonia.

Greek MEPs denounced Mr Ellemann-Jensen's statement as a "moral and ethical disgrace" and said he had cast a slur on the Greek nation. The stormy reaction threatened to bring to a head the simmering dispute in the Community on how to resolve the Macedonia question.

In Athens, the Greek government called an emergency cabinet meeting and asked the next EC Council of Ministers to consider censuring Mr Ellemann-Jensen for "unacceptable" conduct before the parliament.

But Mr Ellemann-Jensen, who is expected to stand down after 10 years as Denmark's foreign minister when a new government forms in Copenhagen, remained unrepentant.

It was time to "wash out the wound" of Macedonia by supporting moves in the UN Security Council to give Macedonia a seat in the UN General Assembly, he said. The Community was "growing weary" of the Greek government's obstructions.

"Greece feels threatened by Macedonia despite being in the EC and Nato. I feel this is unacceptable because it shows a lack of trust in these organisations," he said.

The EC has tried for more than a year to reach a common position on recognition, but Greece has resisted on the grounds that it could provoke territorial claims on its northern province of Macedonia.

Denmark, which took over the EC presidency at the new year, has pressed for recognition so that humanitarian and financial aid can reach the republic which is caught between hostile neighbours, Serbia and Greece.

At a news conference, Mr Ellemann-Jensen said yesterday he was a friend of Greece, but it was time for the EC to stop "walking like a cat around the porridge".

The fracas over Macedonia overshadowed the parliament's debate on Yugoslavia and news of the Bosnian-Serbs agreement to the Vance-Owen peace plan.

Mr Ellemann-Jensen and Mr Hans van den Broek, the new EC commissioner for external affairs, warned that the next step must be to enforce the peace plan.

If the parties failed to abide, further pressure would be forthcoming, including the diplomatic and economic isolation of Serbia and possible military action.

Weathering ERM storm, Page 2; Editorial Comment, Page 11

THE LEX COLUMN

Selling short

Try as one might, it is difficult to avoid drawing negative conclusions from the December retail figures. This is not so much because there was a monthly fall of 0.7 per cent when the market was expecting a small rise. The overall movement masked a significant difference between gains for large store chains and smaller, specialist shops which suffered a sharp fall-off in business. It is the probable explanation for this trend which gives rise to the underlying disappointment.

Not only do there appear to be specific areas of weakness such as music and, given Ratners' position in the market, jewellery. The fall in sales at smaller shops would be consistent with anecdotal evidence of a rush emerging only at the end of the Christmas shopping period. Smaller shops do not have the stock-carrying capacity to cope with that. The benefits would more likely accrue to larger stores who also have the muscle to discount aggressively.

Consumers thus appear still reluctant to part with their money unless offered a good deal on price, a conclusion which can also be drawn from CBI figures this week. Whether that will prompt a fresh cut in interest rates, as the market seemed to assume yesterday, is another matter. The government does not have much room left to cut. It would be natural to wait if possible till the budget.

Besides, it is a moot point whether another rate cut would do much to excite consumers who have other things on their minds: fear of unemployment, tax rises and low income growth for those in work. Unless the government can find a way out of this vicious circle, the danger remains that lack of confidence could lead business to cut capacity further. The trend line of UK economic growth would then fall and the budget deficit would become chronic.

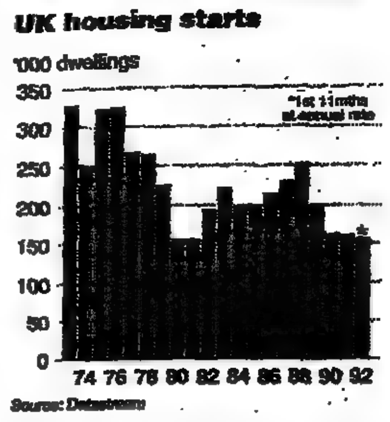
Germany

The Bundesbank cannot be best pleased with the way the budget debate is developing in Germany. The agreement that is taking shape looks likely to involve a much larger 1993 deficit than had hitherto been expected, while some of the more significant tax increases may not take effect till 1995. The disappointment may slow the pace of interest rate cuts later this year, though it is unlikely to reverse the gradual easing signalled two weeks ago.

It would have been rash to have expected any significant move as early as today's council meeting. Pressure on the French franc has abated so there is no currency market reason to cut rates. The central bank will almost certainly want to keep up the pressure on public sector workers to accept a reasonable pay settlement. For the sake of its credibility it may also want to wait till the January money supply figure becomes available. This is likely to show a sharp deceleration since it will be the first monthly figure to be calculated off the high base established during the final quarter of 1992.

The Bundesbank may have to acknowledge that little more can be achieved on the budget, especially since it is clearly growing more worried about the state of the economy. But the old pattern whereby slowdown leads to steep falls in rates may not be repeated if the budget deficit starts pushing up yields in the bond market.

FT-SE Index: 2748.7 (+11.1)



Vodafone

Vodafone's juicy margins cannot last forever, so evidence of approaching competition from Mercury might be expected to unsettle investors. Yet the 8 per cent fall in Vodafone's shares in the past two days is slightly irrational. Mercury's deal for cheap connection charges with BT primarily relates to the price of incoming calls – a factor unlikely to prompt subscribers to move from Vodafone's system to Mercury's personal communications network, due later in the year.

More worrying is the thought that Mercury may price outgoing calls cheaply too, substantially undercutting existing cellular providers. Vodafone has a number of responses including new pricing packages and the beginnings of a new cellular system similar to Mercury's. As Mercury is only starting in the M25 area, Vodafone may cede market share rather than cut prices initially. But eventually, as Mercury becomes established, Vodafone will be increasingly forced to compete on price. The timing of this battle will determine the company's earnings prospects.

Vodafone's natural inclination may be to defer price cuts on its existing system. Particularly so because Mercury's system – restricted to London and using untried technology – may have limited appeal to customers. But the response of Cellnet, the other cellular network, could upset that calculation. Cellnet started the move towards lower rental charges in the autumn and has no product similar to the new Mercury or Vodafone systems. If it cuts prices in a bid to maintain market share, Vodafone will have to follow.

UK housing

Yet again there is talk of a revival in the housing sector. Yet again investors run the risk of disappointment. Shares in building materials and construction companies have been pushed up firmly as expectations have grown. Both sectors have outperformed the market by around 20 per cent in the past three months. There seems little room for more.

The good news is that the straws in the wind suggesting renewed activity in the housing market are rapidly turning into a small haystack. Housing showrooms and estate agencies have reportedly been buzzing with activity. Prices appear to have found a floor. Even the Royal Institution of Chartered Surveyors suggests the housing market is finally stabilising.

But the evidence is still patchy. Repossessions and rising unemployment are likely to sap confidence for a while to come. Besides, any resurgence in the housing market will take time to feed through into profits for building materials companies and housebuilders. The biggest of them, such as Tarmac and Wimpey, appear too financially constrained to exploit any surge in demand for new houses. The purer players, such as Wilson Bowden, Berkeley and Bryant, are far more likely to benefit. But the market has hardly neglected their charms. Most are trading on historic multiples of around 20. That looks expensive when recovery will be protracted.

Germany to make insider dealing illegal

By David Waller in Frankfurt

GERMANY is finally to get a law making insider dealing a criminal offence and introducing a centralised supervisory body to regulate the securities industry, a senior official from the Bonn finance ministry said yesterday.

Mr Dieter Gamerdinger told a conference in Bad Homburg that the necessary amendment to existing securities law ought soon to be ready in draft form. It is expected that the law could be in place by the end of this year.

The lack of an insider law and the creation of a supervisory body are regarded as essential steps to strengthen Germany as a financial centre.

These proposals lay at the centre of a policy document published last January by Mr Theo Waigel, finance minister, which outlines measures designed to enhance the German financial markets' competitive position.

It was originally intended that they would be in place by the end of 1992 and the lack of an insider law is embarrassing for Germany as the European Community Directive on this issue should have been implemented by members by last summer.

International investors' image of Frankfurt as a financial centre was tarnished after a series of insider dealing scandals in the summer of 1991. Frankfurt financiers dispute the seriousness of the scandals, but accept the need to make insider dealing a criminal offence and toughen up regulations.

The lack of a national supervisor has made it difficult for Germany to conduct negotiations with similar bodies from other countries, notably the Securities and Exchange Commission in the US, and hampered German companies and financial institutions.

Germany's Länder (state) governments are currently responsible for supervising the securities market within their own territory. Over the past year regional ministers have been meeting to discuss details of the proposals.

Ministers are meeting in Frankfurt on Monday when, according to Mr Gamerdinger, they will see draft final proposed changes to the law.

Bar to foreigners, Page 15

Clinton promises new season of American renewal

Continued from Page 1

mean role models, had given shorter inaugural addresses.

But mostly this was a day of pageantry in the transfer of power, given an especially Clintonian flavour. He began it not by jogging but by attending a service at the African Methodist Episcopal church, marked by glorious gospel singing.

His touch was evident in the ceremonies themselves, with Marilyn Horne from the Metropolitan Opera singing a medley of traditional songs and Maya Angelou reading a powerful poem, "On The Pulse Of The Morning", specially composed for the occasion.

He took his oath from the Supreme Court's chief justice, Mr William Rehnquist, with his left hand on a bible given to him by his grandmother, open at the passage from St Paul's epistle to the Galatians which concludes: "He that soweth to the Spirit shall of the Spirit reap everlasting life."

When it was all over, he took Mr Bush to the helicopter which began his journey back to Texas and a new life as a private citizen.

Throughout the morning, Mr Bush sometimes allowed a wry smile to cross his face. After all, he knows what the day is like.

The world outside, including Iraq, did not intrude on the day. The Senate planned to confirm in the afternoon several of the new Cabinet, while other second-tier nominations were expected. Business as usual resumes today.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	R	10	50	Frankfurt	C	9	48	Majorca	S	14	57	Oporto	S	12	54	Tenerife	S	18	64
				Brussels	R	[illegible]	48	Geneva	S	8	46	Malaga	S	15	59	Oslo	R	2	36	Tokyo	S	10	50
				Budapest	F	2	36	Gibraltar	C	15	59	Malta	F	15	59	Paris	C	11	52	Toronto †	S	-7	19
Ajaccio	S	15	59	Buenos Aires	F	30	86	Glasgow	R	9	48	Manila	C	30	86	Prague	S	8	46	Tunis	F	16	61
Algiers	S	17	63	Cairo	F	17	63	Helsinki	C	-1	30	Melbourne	[illegible]	29	84	Reykjavik	F	0	32	Valencia	S	12	54
Amsterdam	R	10	50	Cape Town	F	23	73	Hong Kong	F	12	54	Mexico City	F	25	77	Rhodes	S	16	61	Venice	Fg	4	39
Athens	S	[illegible]	57	Caracas	R	26	79	Innsbruck	F	5	41	Miami †	S	22	72	Rio de Janeiro	F	28	82	Vienna	F	11	52
Bahrain	S	14	57	Casablanca †	S	17	63	Inverness	R	8	46	Milan	Fg	5	41	Rome	S	13	55	Warsaw	C	5	41
Bangkok	C	33	91	Chicago †	S	[illegible]	18	Islamabad	F	12	54	Montreal †	C	-4	25	Salzburg	S	8	46	Washington †	S	-4	25
Barcelona	S	13	55	Cologne	R	9	48	Istanbul	F	6	43	Moscow	Sn	-2	28	S'Francisco †	R	12	54	Zurich	F	9	48
Beijing	S	0	32	Copenhagen	C	7	45	Jakarta	R	32	90	Munich	F	10	50	Seoul	S	-4	25				
[illegible]	S	16	61	Corfu	S	13	56	Johannesburg	F	31	88	Nairobi		–	–	Singapore	F	28	82				
Belfast	S	8	46	Dallas †	C	3	37	Lisbon	S	11	52	Naples	S	12	54	Stockholm	C	1	34				
Belgrade	Fg	0	32	Dublin	R	12	54	London	R	13	55	Nassau	C	26	79	Strasbourg	C	10	50				
Berlin	C	9	48	Dubrovnik	S	13	55	Los Angeles †	F	9	48	New Delhi	S	15	59	Sydney	C	25	77				
Biarritz	S	13	55	Edinburgh	F	10	50	Luxembourg	Dr	7	45	New York †	S	0	32	Taipei	C	16	61				
Bombay	S	26	79	Faro	S	16	61	Madeira	S	18	64	Nice	S	13	55	Tangier	S	17	63				
Bordeaux	F	11	52	Florence	S	11	52	Madrid	S	8	46	Nicosia	S	17	63	Tel Aviv	S	17	63				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

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FINANCIAL TIMES
COMPANIES & MARKETS

Thursday January 21 1993

INSIDE

Unisys posts strong earnings growth

Unisys, the US computer and defence manufacturer, reported strong earnings gains for the fourth quarter and year. It expects significant earnings growth in 1993, setting the company on the path to recovery after three years of heavy losses. Mr James Unruh (left), chairman and chief executive, said: "We exceeded all our financial and operational goals." Unisys's strong results contrast with heavy losses at IBM. Page 15

Air France slips to FFr3.2bn loss

Air France, the French state carrier, announced a consolidated loss of FFr3.2bn ($597m) for last year, but said it expected to halve this loss in 1993. Mr Bernard Attali (left), president, last month warned that his company's 1992 loss would be around FFr3bn. Air France based its hope for an improvement this year on the assumption that it would carry 6 per cent more passengers and 7 per cent more freight. Page 14

Bols, Wessanen discuss merger

Bols, the Dutch spirits and beverages group, and Wessanen, one of the Netherlands' biggest food groups, are discussing a full merger by means of a share swap. The deal would create a diversified food and beverages group with sales of more than Fl 5bn ($2.7bn). Page 14

Royal Trustco seeks alliance

Royal Trustco, Canada's second-biggest trust company, is negotiating an alliance with another institution, and the Toronto Bronfman family may cede its 48 per cent indirect control. The company has been hit by the property collapse in Britain and the US as well as the *recession in Canada*. Page 15

Lloyd's recovery lures ICI arm

The promise of a return to profitability at Lloyd's, has led IC Insurance, the ICI subsidiary, to reinsure more than £1m ($1.5m) of business underwritten by a marine syndicate at the London insurance market. This will be the first time that IC Insurance has had any dealings with Lloyd's, where insurance rates are rising strongly after three years of heavy trading losses. Page 18

Devaluations boost markets

Bourses in Belgium, France, Germany, the Netherlands and Switzerland, did worse during the second half of 1992 than the first half, and all supported hard currency policies. By contrast, Italy, Spain and the UK did better – and all devalued during the second half of last year. *Back Page*

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Immobanque	645	+	25
Rises				Matra	231.5	+	11.3
Didier-Werke	105	+	7.7	**Falls**			
GEHE	376	+	9	Elf Sanofi	970	–	117
Rheinelektra	813	+	16	Lyon Eaux Dumz	435.5	–	25.3
Falls				Saint Gobain	489	–	12
Leifheit	385	–	14	**TOKYO (Yen)**			
Schmalbach Lub	315	–	13	**Rises**			
Wella Prf	610	–	20	Kiriu Machine	540	+	45
NEW YORK ($)				Tokai Rika	780	+	50
Rises				**Falls**			
Digital Equip	$41\frac{5}{8}$	+	1	Kawasaki Kasei	275	–	25
Natl Comm Bks	42	+	3	Nippon Electric	500	–	60
Schering-Plough	58	+	$1\frac{5}{8}$	Nippon Metal	345	–	25
Unisys	$12\frac{5}{8}$	+	$\frac{3}{4}$	Yamaha	890	–	68
US Surgical	$74\frac{1}{8}$	+	$5\frac{1}{2}$				
Falls							
Texaco	$40\frac{1}{2}$	–	$1\frac{1}{2}$				
PARIS (FFr)							
Rises							
Gal. Lafayette	1779	+	99				

New York prices at 12:30.

LONDON (Pence)				WPP	66	+	6
Rises				**Falls**			
Argos	279	+	14	AIM	165	–	6
Baldwin	98	+	8	Beales Hunter	275	–	11
Brent Walker	$10\frac{1}{2}$	+	$1\frac{3}{4}$	Berry Birch	145	–	15
British Steel	$64\frac{1}{2}$	+	$4\frac{1}{2}$	Ibstock Jhnsen	40	–	6
Clarke Nickls	19	+	7	Pilkington	101	–	5
Higgs & Hill	55	+	6	Stanhope Props	$19\frac{1}{2}$	–	$2\frac{1}{2}$
Mid-States	38	+	3	UK Land	18	–	3
Mirror Group	105	+	5	Vodafone	368	–	19
Portmeirion	316	+	41	Wembley	17	–	$2\frac{1}{2}$
Richmond Oil	7	+	$2\frac{1}{2}$	Whitegate Leis	$14\frac{1}{2}$	–	$2\frac{1}{2}$
Sirdar	83	+	6				
Standard Chtd	630	+	28				
TSB	166	+	6				

■ Large loss at American Airlines ■ British Airways seeks to rebuild reputation

Annual losses at AMR reach $935m

By Nikki Tait in New York

AMR, parent company of American Airlines, yesterday started the US airlines' reporting season with news of a $145m operating loss in the final quarter of 1992, and an after-tax deficit of $200m for the three-month period. Revenues rose by 5.1 per cent to $3.58bn.

The fourth-quarter results bring AMR's net loss for the year to $935m. However, this partially reflects non-cash charges related to a change in US accounting methods for post-retirement health benefits. The net loss in 1992 before the accounting-related charges stood at $475m. Revenues were $14.4bn, up from $12.9bn.

Mr Bob Crandall, American's chairman, said the figures reflected "one of the most difficult and challenging years in the history of commercial aviation".

He also cautioned against expecting a rapid turnround: "Although the economy has recently shown some signs of strength, we think much of the recent optimism is unwarranted," he said.

"As a result of our concern about the outlook for profitability, we have cut more than $300m from anticipated 1993 spending and continue to look for other solutions to our earnings dilemma. We simply cannot afford to have another year like 1992."

AMR is generally seen as a bell-wether for the US airline sector, and its large fourth-quarter and 12-month losses are likely to be mirrored at other carriers.

However, in AMR's case, one-off charges compounded the difficulties. The $145m fourth-quarter operating loss included a $22m charge for severance payments, while the $200m net deficit included $145m of provisions for aircraft lease terminations and losses on a computer project, partly offset by a $103m tax benefit.

These one-off items affected the full-year figures. However, AMR said the net loss, with these items stripped out and ignoring the accounting-related charges, would still have been larger than 1991's, at $278m compared with $240m.

On the operational front, the carrier saw its yield – the average amount which one passenger pays to fly one mile – fall 7.9 per cent in the fourth quarter to 12.31 cents. Yield for the year as a whole was also down by 6.1 per cent at 12.21 cent. The fourth-quarter load factor was 60.5 per cent, up from 59.3 per cent a year earlier. The 1992 load factor was 63.7 per cent, up from 61.7 per cent.

As the board meets, directors ponder how to address . . .

Lord King, 75-year-old chairman of BA and architect of the airline's success, will retire as chairman in July and become president

Sir Colin Marshall, deputy chairman and chief executive, is still expected eventually to take over as chairman. His position as chief executive appears secure

Sir Michael Angus leads BA's non-executive directors. He could be asked to become interim chairman even though reluctant to take on the job

. . . shareholders' concerns

According to the latest ShareMonitor data, BA's largest shareholders are Templeton Galbraith Hansberger with 5.5 per cent, Fidelity with 4.6 per cent and Schroeder Asset Management with 3.9 per cent. Prudential Assurance and Standard Life are shown as having notifiable stakes of over 3 per cent. Since then at least one shareholder, Fidelity, has disposed of almost its entire position and the Prudential and Standard Life stakes have fallen below 3 per cent

Lord White, chairman of Hanson's US operation, is another non-executive director and a close friend of Lord King

Robert Ayling, BA's head of marketing and operations, is tipped to become managing director

Derek Stevens, BA's chief financial officer and a board member, has been sounding out institutional investors

David Burnside, BA's director of public affairs, could be threatened by the Virgin affair

. . . and restore BA's reputation

Sir Tim Bell, Baroness Thatcher's former public relations guru, is helping BA in its damage-limitation exercise

Brian Basham, City of London public relations expert, is no longer advising BA

BA in the mud over 'dirty tricks'

Paul Betts and Michael Cassell on a wave of criticism

IF British Airways thought it was in the clear after its humiliating libel settlement with Virgin Atlantic, it was mistaken.

Its £610,000 payment and public apology to Mr Richard Branson, Virgin's boss, has not brought the controversy to an end. Instead, its past efforts to discredit and undermine its tiny competitor have continued to attract public attention.

So far, though BA's reputation has been harmed, its business has suffered little damage. But the airline knows that unless its board acts promptly, there is a risk the affair could spiral out of control.

The airline's directors will gather today. Mr Charles Price, a former US ambassador to Britain and a BA non-executive board member, is flying in from the US. Lord White, a friend of Lord King and chairman of Hanson's US operations, cannot attend because he is ill.

At the forefront of directors' minds will be the wave of criticism the airline has faced. Big institutional investors have been privately expressing their doubts about BA's handling of the crisis. More publicly, members of the airline's own staff have been using harsh language to criticise their bosses. In the airline's staff newspaper, some employees wrote last week of "grave mistakes" in "an obscene episode", and called for heads to roll.

Virgin has skilfully kept up the pressure, claiming some BA passengers have switched to its aircraft as a result of the affair. Mr Branson has given BA a deadline of next week to show that it has learnt its lesson. He was dissatisfied with BA's first letter to him. BA has since sent a second letter to Mr Branson asking him to outline his thoughts.

Unless Mr Branson is satisfied with the outcome, he threatens to drag BA through an anti-trust case in the US. This might hinder BA's renewed efforts to clinch a partnership deal with USAir, the sixth largest US airline.

Though the stakes at today's board meeting are high, it is unlikely to lead to sweeping management changes. Some personnel moves appear imminent, but the intention will be to achieve the greatest possible impact from the smallest possible changes among BA's handful of top managers.

The key players in BA's boardroom drama include Lord King. He is due to step down as chairman in the summer but still exerts considerable influence. "He is angry and upset but he is not about to run away crying," a BA insider said last night.

Sir Michael Angus, non-executive deputy chairman, has now emerged as the pivotal figure on the board. Though he was reluctant to become involved when the "dirty tricks" allegations first surfaced, he has since played a central role in attempts to repair the damage.

As a former chairman of Unilever and current president of the Confederation of British Industry, Sir Michael is well-versed on issues of corporate governance.

He has already ordered a second internal investigation to establish the full extent of BA's campaign against Virgin. (An earlier report is now thought to have left many issues unresolved.) The new report, prepared by Linklaters & Paines, BA's solicitors, is highly critical of aspects of the "dirty tricks" campaign. But the 80-page document is also thought to confirm that the campaign was carried out by a few individual employees and did not involve the highest levels of management.

Sir Michael has been mooted by some BA insiders as a possible successor to Lord King, at least for an interim period. Under that proposal, Sir Colin Marshall, BA's chief executive and the airline's other deputy chairman, would remain as chief executive during what is already being dubbed the "Angus interregnum". However, Sir Michael says he is not anxious to become chairman and he has not been asked to do so. He said last night: "Everything is feasible in an emergency but I don't think it will occur."

The odds, therefore, remain that Sir Colin will become both chairman and chief executive as originally planned, rather than waiting for the expiry of an interim chairmanship held by Sir Michael.

Mr Robert Ayling, head of the marketing and operations, is being tipped to assume a newly created position of managing director, bolstering the airline's top management.

The most immediate casualties are likely to come in the legal and public relations departments, which handled BA's response to Virgin's complaints of "dirty tricks". Mr Brian Basham, an independent public relations consultant hired by BA, has already been dropped by the company. BA is now relying on Sir Tim Bell, former adviser to Lady Thatcher, for public relations advice.

The position of Mr David Burnside, BA's head of public affairs, is expected to come under close scrutiny by the directors today.

The airline's strategy includes the possible setting up of a compliance committee, formed of non-executives, to draw up and enforce a new code of conduct for the company. The intention of today's meeting is to try to end the "dirty tricks" saga as quickly as possible – ideally this week.

Though ministers are anxious to keep the government on the sidelines, they may not be able to do so if the issue continues to stay in the headlines. Plenty of other interested parties – ranging from Virgin to European airlines angered by BA's recent acquisitions in the UK and France – are happy to keep it there. British Airways is still some way from clear skies.

Property hits Lyonnaise earnings

By David Buchan in Paris

LYONNAISE des Eaux Dumez, the French water and building group, yesterday announced that 1992 profits would be between FFr350m ($64.2m) and FFr400m, *less than one-third* of what it had forecast.

Lyonnaise's sudden profit revision, entirely due to large losses and provisions on property and construction in France and abroad, led to a wave of selling in its shares which were suspended 5.5 per cent down at FFr435.5 on the Paris bourse yesterday. Company officials expected trading to resume today.

By taking large losses and provisions and "purging our 1992 balance sheet, we are perhaps being excessively prudent", a company spokesman said.

"But we are very pessimistic *about real estate prospects*," he added.

By contrast, the water and environmental services of the old Lyonnaise des Eaux which merged with the Dumez group in 1990, produced a profit, as did the group's other interests.

Lyonnaise said it planned to maintain its FFr10-a-share dividend because the "particularly heavy" charges for last year did not affect the group's fundamental financial soundness.

Lyonnaise said it had had to make extra provisions of FFr1bn for property problems and FFr500m for construction difficulties. In addition to problems in France leading Dumez to lay off some 500 people at a cost of FFr400m, the group was experiencing troubles abroad.

One area of difficulty was in Spain, where its Copisa subsidiary had seen business collapse after completion of the Barcelona Olympic facilities. Losses and provisions were FFr250m. Another FFr275m in provisions had been made to cope with the downturn in Saudi Arabia, particularly after the Gulf war.

Lyonnaise had set aside FFr100m because the political and security situation in Kashmir was delaying completion of a dam there.

Last June, Mr Jerome Monod, chairman, had forecast a 20 per cent rise in 1992 group profits which had fallen to FFr1.17bn from FFr1.4bn the year before.

The company said yesterday it had had to revise its forecast because the last few weeks of 1992 had proved far worse than expected in property and it saw no improvement for most of 1993. World stock markets, Page 31

Spain to sell off 25% of bank group

By Tom Burns in Madrid

THE Spanish government plans to raise Pta150bn ($1.3bn) through the sale of 25 per cent of the capital in Argentaria, the wholly state-owned banking group.

This would be the biggest share placement ever by a Spanish institution.

An Argentaria spokesman said yesterday that the government was expected to approve the corporation's partial privatisation in a matter of days. "The decision is virtually imminent," he said.

Argentaria was created in May 1991 when five government-controlled financial institutions – including Banco Exterior, now Argentaria's flagship bank – were grouped into a single banking corporation. It reported first-half pre-tax profits of Pta50bn last year, a 64 per cent increase on income earned from May to December 1991.

The issue is likely to be in several tranches, aimed at small domestic investors and institutional investors in Spain and abroad.

The decision to float Argentaria partially is in line with the government's strategy of reducing the public deficit through disposals of state shareholdings. Repsol, the state energy group which raised Pta130bn in 1989, said earlier this week that it aimed to raise a further Pta50bn in an international share issue scheduled for the next two to three months.

Argentaria's consolidated book value on December 31, 1991, was Pta528bn. Current market capitalisation is conservatively estimated at Pta600bn.

In an important preliminary step to the Argentaria placement, the economy ministry has transferred a number of loans, credits and guarantees linked to mostly loss-making public enterprises from Argentaria to the Instituto de Credito Oficial the state financing agency.

These assets, which total Pta392bn and include equity in certain steel companies, had belonged to the former Banco de Credito Industrial, which was absorbed by Banco Exterior.

By putting all assets that could be subject to political decisions under the wing of the ICO, the government has underlined its policy that Argentaria should operate as a purely commercial institution responding solely to market forces.

Spain's privatisations, Page 14

Air France president aims to halve FFr3.2bn loss

By David Buchan in Paris

AIR FRANCE, the French state carrier, yesterday announced a consolidated loss of FFr3.2bn ($597m) for last year, but said it expected to halve this loss in 1993.

Mr Bernard Attali, president, last month warned that his company's 1992 loss would be around FFr3bn.

In 1991, the airline made a FFr685m loss.

After a board meeting yesterday, Air France said its hope for a reduced 1998 loss was based on the assumption that it would carry 6 per cent more passengers and 7 per cent more freight than it did in 1992.

Last year, it saw an 8.7 per cent rise in passenger traffic.

Mr Attali has complained to the European Commission that its competition directorate has favoured his arch-rival, British Airways, to Air France's detriment.

He has also warned Brussels against rushing deregulation in a way that could weaken European airlines financially as it has in the US.

To counteract this, Air France will slim its workforce by a further 1,200 this year. But some new jobs related to the servicing of aircraft from Sabena, the Belgian carrier in which Air France has an important stake, will be created.

Last year, Air France reduced its payroll by 1,900, including some forced redundancies for the first time in its history.

SE Banken plans to restructure

By Christopher Brown-Humes in Stockholm

SKANDANAVISKA Enskilda Banken, Sweden's leading commercial bank, is planning a sweeping reorganisation to help restore profitability.

An announcement is expected within the next month and could come after today's group board meeting.

The restructuring could include severe job cuts, branch closures, management changes and the sale of non-core businesses. The bank said yesterday that a reorganisation was under way but would not comment on reports that it was to be split into three parts, covering traditional business, corporate lending and bad debts.

News of the planned overhaul comes just over a month after the bank contacted the government about possible state support.

SE Banken has suffered large credit losses, along with other Swedish banks and recorded a SKr2.61bn ($361.5m) operating loss for the first eight months of last year. Credit losses for the whole of 1992 are expected to reach SKr10bn. Capital adequacy has also been impaired by the falling value of the floating Swedish krona.

The bank has indicated tough cost-cutting measures will be required to restore profitability, including a SKr800m-SKr900m cut in costs this year. It has already implemented a recruitment freeze and an early retirement scheme.

Operations mentioned as possible candidates for sale include Svensk Fastighetskredit, a mortgage institute, and the bank's 78 per cent holding in Banque Scandinave en Suisse.

Kazakhstan bank takes 40% stake in DSB

By David Waller in Frankfurt and Anthony Robinson in London

THE ALEM Bank-Kazakhstan, from the former Soviet republic of Kazakhstan, has joined a group of Turkish investors to buy a 75 per cent stake in Deutsch-Schweizerische Bank (DSB), a small Frankfurt-based bank.

Alem is believed to be the first financial institution from the former Soviet Union to buy a stake in a German bank.

The Kazakh bank, which specialises in foreign trade finance, has taken a 40 per cent stake in DSB.

A group of Turkish investors have bought the remaining 35 per cent of the stake owned by Harpener, the German industrial group which is in the throes of restructuring following a costly entanglement with Mr Werner Rey, the Swiss financier.

The Turkish buyers are the London-based Plus Communications and Technology and Mr Ahmet Ozal, a son of Turkey's president.

The remaining 25 per cent of DSB is owned by the Swiss Canto Bank, a Swiss foreign trade bank.

No financial details were disclosed, but it is understood that the investors paid more than the DM19m ($11.9m) book value of the bank's assets.

Mr Manfred Heuser, a director of the DSB, said the buyers intended to concentrate on financing trade between Kazakhstan, Germany and Turkey and developing its international banking business.

The Alem Bank was founded two years ago and now finances 75 per cent of Kazakhstan's foreign trade, he added.

Correction

YSL-Sanofi

THE terms of the merger between Yves Saint Laurent and Elf-Sanofi are four Sanofi shares for every five YSL shares. This was incorrectly reported in yesterday's FT.

Bols and Wessanen in merger talks

By Ronald van de Krol in Amsterdam

BOLS, the Dutch spirits and beverages group, and Wessanen, one of the Netherlands' biggest food groups, are holding talks on a full merger by means of a share swap.

The proposed merger would create a diversified food and beverages group with sales of more than Fl 5bn ($2.7bn) and a strong presence in selected niches, mainly in European and North American markets, though it would remain small compared with the other recent link-ups in the foods and beverage industries.

The companies declined to give any details of the share-swap proposal, apart from saying that the merger would be on the "basis of equality".

Shares in Bols, which is significantly smaller than Wessanen but makes roughly the same profits, rose strongly on the news, closing up 9.8 per cent at Fl 47. Wessanen fell Fl 5 to Fl 98.50. Trading in both companies' shares was suspended in mid-morning ahead of the announcement.

The proposed merger brings together two companies with virtually no overlapping areas of business.

Bols, which has sales of around Fl 1.2bn, is best known for its range of liqueurs.

It has diversified heavily into wines and non-alcoholic drinks in order to reduce its dependence on spirits. Nearly 90 per cent of turnover is generated in Europe.

Wessanen, with 1991 sales of Fl 3.9bn, has transformed itself from a producer of bulk foodstuffs to a group active in branded foods.

Around 60 per cent of its sales are in the US, where it made a string of acquisitions in the 1980s in ice creams, yoghurt and other dairy products.

One of its best-known products in Europe is Leerdammer cheese.

Neither company would be drawn on the thinking behind the talks, and analysts expressed surprise at the plans.

Bols faces heavy expenses in advertising and marketing to realise its goal of taking local drinks, such as Italy's non-alcoholic aperitif Crodino, and position them as pan-European drinks. The tie-up with Wessanen would give it access to additional funding.

Wessanen has said that it wants to expand in Europe, where Bols is particularly strong.

NatWest to challenge rival banking service

By John Gapper, Banking Correspondent

NATIONAL Westminster Bank is to launch a challenge to Firstdirect, Midland's telephone banking subsidiary. It is the first attempt by a competitor to match Firstdirect, which has more than 350,000 customers.

NatWest is planning to extend PrimeLine, a pilot telephone banking service, to people who do not hold NatWest accounts. They will be offered access to a personal account manager, as well as a range of banking services.

The bank has experimented with telephone banking for 18 months, but has confined the PrimeLine service to about 9,000 NatWest customers.

It intends at least to double the number of PrimeLine account holders in the coming year.

Most high street banks are experimenting with telephone banking services to support branch networks, but none has established a subsidiary like Firstdirect.

PrimeLine is the closest challenge Firstdirect has faced.

PrimeLine does not offer a 24-hour service: customers can telephone its centre in Bradford, West Yorkshire between 8am and 10pm on weekdays, and 9am and 5pm at weekends.

However, NatWest argues that it offers a wider service than Firstdirect.

Firstdirect has drawn some 70 per cent of its account holders from outside Midland.

Disposals ease burden of deficits

Spain could raise up to $2.8bn through share issues, writes Tom Burns

THE Spanish government has long intended to raise cash this year through disposals in order to lighten its deficit burden. The surprise is the amount it seems to want and the speed with which it hopes to raise it.

Hot on the heels of the announcement by Repsol, the government-controlled energy group, that it is seeking to raise more than $500m in an international share issue, Argentaria, the wholly state-owned banking corporation, has said that it wants to put 25 per cent of itself on the market in order to raise about $1.3bn.

These disposals are likely to be followed by two further placements. Analysts expect the government to offer investors around 10 per cent of its 67 per cent stake in Endesa, the large electrical utility, in an issue that could raise $860m. They also see a possible placement of as much as 20 per cent of Tabacalera, the tobacco-based group in which the government has a 54 per cent holding, which would realise a further $173m.

If all four issues took place, the state would net around $2.8bn – more than double the government's estimates in its 1993 budget.

The most common explanation for this increase is that the government urgently needs income because it has got its budgetary sums wrong. It is particularly worried that it will be unable to reduce the budget deficit this year by a planned two points, to 2.5 per cent of gross domestic product.

Those fears are well grounded. The budget forecast 1 per cent growth for 1993, an estimate that now appears wildly off-target.

"We believe the economy will grow by 0.3 per cent this year and we may be optimistic," says Mr Jaine de Pinies, head of research at Banco Santander de Negocios.

Just as ominously, there has been no sign so far that government spending has been contained.

In fact, analysts expect spending to rise, partly because this is an election year and partly because of the demands on the social security department by the growing legions of the unemployed.

Barred from any move that might kick-start the economy, such as lowering the cost of borrowing (because high interest rates are required to refinance existing government debt) and also blocked – because of the elections – from raising taxes, the government has few options other than to sell off as much as it can.

The question is: can it sell so much, so quickly?

"If the disposals are tackled intelligently, spaced out and properly priced, the market should absorb them without difficulty," says Mr Juan Bastos, director-general of the Madrid securities firm Gestemar.

Repsol, Endesa and Tabacalera are all actively-traded blue chips that need no introduction to investors.

Argentaria, though a newcomer to the trading floor, is a powerful and sound institution that may offer an opportunity to gain a presence in Spain's profitable banking sector.

If potential investors have reason to be bullish, the government is equally justified in being encouraged by the prospective placements.

The disposals should help see it through what looks like being an otherwise bleak year.

Lucas Industries integrates its electronics units

By Andrew Bolger in London

LUCAS Industries, the UK car and aerospace components group which has recently been seen as a possible candidate for takeover, has integrated its separate electronics activities into one business.

Lucas Electronics has an annual turnover of £100m ($152m), employs 1,900 people and has sites and resources in Europe, North America and Asia.

The new business is designed to benefit from Lucas's capital investment in electronics and to exploit the increasing convergence in components used by the group's aerospace and automotive markets.

Ilva sells 75% holding in Italian tube group

By Robert Graham in Rome

ILVA, the Italian state-owned steel group, yesterday announced a further rationalisation of its operations with the sale of its residual 75 per cent stake in Tubi Ghisa, a specialist in ductile cast-iron fittings, to France's Pont-a-Mousson.

The French group, which previously held a 25 per cent of Tubi Ghisa, has paid cash – the equivalent of L127.5bn ($86.2m). On Ilva's books, the stake was written in at L20bn.

Apart from ductile cast-iron fittings for pressure pipes, Tubi Ghisa produces from its Genoa-based plant second-casting foundry work for tubes. It has 20 per cent of the water-piping market in Italy and this is seen as an ideal fit for Pont-a-Mousson, a European leader in water supplies. Last year Tubi Ghisa returned a L6.3bn profit on sales volume of 106 tonnes and income of L147bn.

On Monday, Ilva announced its subsidiary Dalmine Tubi Speciali, producing seamless stainless steel tubes, hoped to cut costs and production via a three-way venture with subsidiaries of Germany's Mannesmann and Usinor Sacilor of France. Yesterday, Mr Piero Nardi, Ilva managing director, said the group planned to raise a further L400bn this year in sell-offs. A meeting of the Ilva board is due to assess its financial position on Friday, reported to be heading for a loss in 1992 of around L1,300bn.

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Mainframe sales contrast strongly with those of IBM

Unisys posts strong earnings growth

By Louise Kehoe in San Francisco

UNISYS, the US computer and defence manufacturer, reported strong earnings gains for the fourth quarter and year. It added that it expected significant earnings growth in 1993, setting the company on the path to recovery after three years of heavy losses.

Unisys's strong results contrast sharply with the heavy losses reported by IBM a day earlier.

Mr James Unruh, chairman and chief executive, said: "In a very difficult year for our industry, we successfully turned the company round and exceeded all our financial and operational goals."

For 1992, Unisys reported net income of $361.2m, or $1.40 per share, including 36 cents per share tax gain from loss carry-forwards.

In the previous year, it reported a net loss of $1.4bn, or $9.37, which included a special charge of $1.2bn. The net income data exclude preferred stock dividends of $122m per year.

Revenue declined in 1992 to $8.42bn from $8.7bn in 1991, or $8.57bn adjusted for the sale of the Timeplex subsidiary in June 1991.

While IBM's sales of mainframe computers declined by a double-digit percentage in 1992, Unisys said sales of its mainframe computer showed double-digit gains over 1991.

For the fourth quarter, Unisys made net income of $139.2m, or 58 cents a share, including 15 cents per share from the tax benefits of operating loss carry-forwards. Last time, it recorded net income of $80.5m, or 31 cents. Revenue of $2.26bn was higher than expected, the company said, but below the $2.46bn in the fourth quarter of 1991.

James Unruh: successfully turned the company round

Mr Unruh said that "1992 was an outstanding turnround year. Revenue stabilised, profitability improved, and cash flow from operations exceeded $1.1bn – well over our goal of $700m". Debt was reduced nearly $800m to about $2.5bn.

Debt net of cash is now less than $1.7bn, the lowest level since the formation of the company in 1986 from the merger of Burroughs and Sperry.

Mr Unruh also announced a "major initiative" to build information services capabilities.

"For 1993, we expect to show further significant progress in profitability and to further strengthen our balance sheet in spite of global economic weakness, particularly in Europe and Japan. We have based our business plans on flat revenues."

The Unisys share price gained $1¼ to trade at $12⅝ before the close yesterday, on news of the stronger-than-expected fourth-quarter performance.

Alcan loss hits $56m in final quarter

By Robert Gibbens

ALCAN Aluminium, faced with continuing low ingot and fabricated products prices, lost US$56m, or 29 cents a share, in the final quarter of 1992, against a loss of $36m, or 18 cents, a year earlier.

Revenues were $1.86bn, little changed from the 1991 period.

For all of 1992, Alcan's loss was $112m, or 60 cents, against a loss of $36m, or 25 cents, in 1991.

Revenues were $7.6bn against $7.7bn. The figures were struck after preferred share dividends.

The 1992 loss included special environmental and rationalisation charges of $58m, up slightly from 1991.

Royal Trustco negotiating alliance following review

By Robert Gibbens in Montreal

ROYAL TRUSTCO, Canada's second-biggest trust company, is negotiating an alliance with another institution, and the Toronto Bronfman family may cede its 48 per cent indirect control.

The Edper Bronfmans, related to the Montreal Bronfmans who control Seagram, won control of Royal Trustco in a spectacular takeover battle with property developer Mr Robert Campeau in 1979.

In the past two years, RT has been hit by the property collapse in Britain and the US as well as the recession in Canada. While it has insisted its core fiduciary and banking business in Canada remained sound, RT has sold major assets and has written down loan losses heavily.

Mr James Miller, 61, the chartered accountant who took over as chief executive on December 1, said: "RT prefers to seek an alliance with another large financial institution that would make a major equity investment.

"Talks are under way with a number of institutions which could result in the new investor ultimately becoming the largest shareholder of RT."

Mr Miller said the talks resulted from a complete strategic review of RT undertaken with London investment bankers, S.G. Warburg, and due for completion on January 31.

Trilon, a holding company through which the Bronfmans control RT, last month bought in C$100m of publicly-held RT preferred shares and is ready to put in C$100m (US$78m) of new equity to demonstrate its continuing support, Mr Miller said.

Mr Miller warned that more write-downs would come in the year-end results. "A loss is projected in the final quarter, which will also include restructuring charges."

RT, with corporate assets of C$34bn, posted a third-quarter loss of C$243m, or C$1.68 a share, including a C$150m special write-down. Its dividend was cut for the second consecutive quarter and credit agencies have reduced ratings on RT notes and debentures.

LTV in new move to end bankruptcy

By Nikki Tait in New York

LTV, the steel company at the centre of one of the long-running and most contentious bankruptcy cases in the US, yesterday filed its second modified plan of reorganisation.

With most parties agreed on the shape of LTV's restructuring, the plan is likely to be put to a vote of creditors and shareholders in March. If approved, LTV could emerge from Chapter 11 protection within months – thus ending a bankruptcy which began in July 1986.

The company said yesterday that, if the plan was approved as submitted, it would emerge as the third-largest steel company in the US. It would also own a large energy division, supplying products and equipment to the oil and natural gas industries.

The new reorganisation plan is complicated. Essentially, it aims to resolve almost $6bn-worth of claims and a further $3bn of pension-related claims.

Creditors' claims are levied against five different entities – the parent company and four operating divisions comprising the steel, aerospace, AM General and energy businesses.

As far as LTV's underfunded pension plans are concerned, the company will make an initial cash contribution to the three steel plans of $850m (adjusted for interim funding provided while the company remains in Chapter 11), and the remaining unfunded liability will be amortised over 28 years.

Annual payments will comprise a fixed element ranging between $30m and $50m a year, plus a variable element of at least 50 per cent of available cashflow after allowance for capital expenditures.

The funding for the pension plans has been the source of much dispute between the Pension Benefit Guaranty Corporation, a federal agency which underpins basic pension payments, and other creditors – one of the main reasons why the bankruptcy has been so lengthy.

Under the new reorganisation plan, general unsecured creditors' recoveries are estimated to range from 16 cents on the dollar if their claims are against the parent company, to almost 56 cents against the aerospace business.

Since general unsecured claims are being paid either in new common stock, or a combination of stock, cash and other considerations, these estimates will ultimately depend on the value at which the new shares trade.

Tenneco chief reveals illness

By Martin Dickson in New York

MR MICHAEL Walsh, chief executive of Tenneco for just over a year and the architect of a rapid turnround in the company's fortunes, revealed yesterday he was suffering from a brain tumour, but said this would not affect his ability to carry out his work.

He said he had been advised that the median survival rate for patients with this condition, detected this early, and undergoing the kind of radiation and chemotherapy treatment he intended, was approximately five to six years, with half doing better than that, and some much better.

Tenneco's shares dropped $1⅝ to $40⅝ in morning trading.

Mr Walsh, 50, is a tough manager who revitalised the Union Pacific railroad before joining Tenneco in late 1991, with a mandate to shake up the ailing conglomerate.

He quickly turned around its earnings and cut its burdensome debt to capital ratio but Wall Street analysts are still waiting for proof of a sustained recovery at its most troubled subsidiary, agricultural equipment manufacturer J.I.Case.

Mr Walsh said the "mid-grade tumour" had been identified at an early stage and the only symptom was a slight limp in his left leg. The ailment in no way affected his commitment to the company.

His doctor declared that he could continue to "carry out the full range of his responsibilities at Tenneco now, during treatment, and for the foreseeable future".

He only discovered he had a tumour on Tuesday. His remarkably rapid and full disclosure of the problem is in line with his face-the-facts style of management and contrasts with much greater privacy over medical matters at most US companies.

TLC Beatrice, a large, privately-owned food company, disclosed that its chairman, Mr Reginald Lewis, had brain cancer on Monday, by which time he was in a coma in hospital. He died on Tuesday.

Mr Walsh said he had decided to announce his condition because not to have done so would have led to rumours and speculation which could have put investors at risk.

Diller to head TV shopping network

By Alan Friedman

MR BARRY DILLER, who resigned last February as chairman of Mr Rupert Murdoch's Fox film and television studio, has been named chairman and chief executive of QVC Network, a leading US cable television home shopping network.

The move follows Mr Diller's recent agreement to purchase $25m of QVC's equity in a privately-negotiated transaction.

The negotiations that led to Mr Diller's appointment are believed to be aimed at achieving joint control of QVC's board by Mr Diller and two corporate partners which are also substantial QVC shareholders – Liberty Media, a Wyoming-based company that has also agreed to buy voting control of QVC's main rival, and Comcast, a cable operator.

QVC recorded $36.2m net profits on $729m of revenues in the first nine months of its 1992-93 fiscal year.

Rivalries seen as bar to foreigners on Börse board

By David Waller in Frankfurt

PROVINCIALISM and regional rivalries are to blame for the exclusion of foreign banks from the supervisory board of the Deutsche Börse – the new centralised stock exchange for Germany – the head of the organisation representing foreign banks in Germany complained yesterday.

The Deutsche Börse came into being at the beginning of the year as a holding structure uniting Germany's eight stock exchanges – together with the Deutsche Termin Börse (DTB) derivatives market and the Kassenverein settlement agency – for the first time.

The move represented a compromise between Frankfurt – overwhelmingly the largest stock exchange in Germany – and the smaller markets which had traditionally resisted centralisation out of fear of Frankfurt's dominance. The creation of the Deutsche Börse suggested that traditional rivalries had been buried.

However, Mr Hans-Georg Engel, vice-president of J.P. Morgan in Germany and head of the Verband der Auslandsbanken in Deutschland, said yesterday that provincial rivalries had seen to it that no foreign bank had been represented on the new organisation's board, contrary to commitments when the plans for a centralised exchange were being drawn up.

He argued that foreign banks deserved to be represented on three grounds: because they own 10 per cent of the Deutsch Börse holding company; because they conduct about 10 per cent of the business on German stock exchanges, and because in terms of member-firms they represent over half the institutions trading on the German securities markets.

"Pure political factors" had determined that regional banks had got four seats on the supervisory board, despite the fact that the regional stock exchanges own only 10 per cent of the Deutsche Börse holding company – the same as the foreign institutions.

He said he hoped that foreign banks would gain representation later this year; the Deutsche Börse said that it also wanted foreign banks to be represented.

Sharp fall in Genentech earnings

By Alan Friedman in New York

GENENTECH, the California-based biotechnology company that was taken over in 1990 by Roche Holdings of Switzerland, yesterday reported net profits of $20.8m, or 18 cents a share, for 1992.

Earnings were less than half the $44.3m, or 39 cents, achieved in 1991, but in line with market expectations.

Genentech had previously forecast profits of more than $18m for 1992, saying the year-on-year decline was due to an anticipated increase in research and development expenses.

Net profits for the fourth quarter of 1992 were $6.2m, compared with a break-even result in the same period of 1991.

The decline in full-year earnings occurred despite a 6 per cent rise in total revenues, to $544.3m. Fourth-quarter revenues were up 19 per cent at $142m.

Research and development spending in 1992 was 26 per cent higher at $278.6m.

Boise Cascade ends year in red

By Laurie Morse in New York

BOISE Cascade, the US paper and forest products company, yesterday unveiled a fourth-quarter loss of $29.6m, or 97 cents a share, compared with a deficit of $15.8m, or 51 cents, last year.

For the year, it incurred a loss of $227.5m, or $6.73, which included a $73m, or $1.94-a-share, after-tax charge for required accounting changes. In 1991, Boise Cascade recorded a deficit of $79.5m, or $2.46.

The result had been widely expected on Wall Street, where the stock traded up $⅛ at $21 before the close.

Weak prices for the company's key paper grades offset the positive impact of cost-cutting and strengthening timber prices on the annual results, the company said.

Sales for the fourth quarter fell to $905m, from $963m a year ago, while for the year sales were $3.7bn, down from $4bn in 1991.

The company attributed the sales declines to falling paper prices and the January 1992 divestiture of the company's wholesale office products distribution operations.

Mr John Fery, chairman, said he expected Boise's building products operations to benefit in 1993 from strengthening demand, and office products sectors to improve as a result of cost-cutting and recovering markets. He added that market conditions for the company's paper products were improving, but "very difficult".

Mazda seeks Ford Europe link

MAZDA, the Japanese carmaker, is still pursuing a possible joint project in Europe with Ford, Mr Yoshihiro Wada, Mazda president, said yesterday, Reuter reports from Tokyo.

A joint venture with Ford of Europe remained a top priority, he said.

Mazda is the only leading Japanese carmaker that has not yet announced plans for production in Europe, despite negotiations with Ford of Europe that have lasted for nearly four years.

Mr Wada said Mazda was also "studying alternative projects in Europe with other European makers but it is not the time to disclose their names as we first have to make a decision on a possible joint project with Ford".

Mazda is owned 24.5 per cent by Ford.

The Japanese carmaker said it was also studying the feasibility of exporting cars from its US plant to Europe, following in the wake of Toyota, Honda and Mitsubishi Motors. No decision had yet been made on volumes or timing.

Mazda again reduced its parent company pre-tax profit forecast yesterday to Y6bn from the earlier forecast of Y7bn for the year to the end of March. Pre-tax profits totalled Y19.7bn a year ago.

St Paul Cos writes off $365m

By Nikki Tait in New York

THE St PAUL Companies, the Minnesota-based property-casualty insurer, has written off $365m of goodwill attaching to the Minet group, the troubled London-based insurance brokerage business which the US insurer acquired in 1988.

St Paul announced it planned a non-cash charge, covering a write-off of goodwill for Minet, in November, although it did not specify the amount.

The US company said that the write-off represented about 75 per cent of the goodwill attaching to Minet.

It also warned that catastrophe losses – in a dreadful year for the US property-casualty sector generally – totalled $305m before tax in 1992. This is more than quadruple the losses seen by St Paul in 1990 and 1991. Hurricane Andrew, the devastating storm system which struck Florida in late-August, accounted for about $200m.

As a result of goodwill write-off, the catastrophe losses, a much-smaller charge related to an early retirement programme, and "disappointing" fourth-quarter results from its reinsurance and international underwriting operations, Minet expects an after-tax operating loss of about $335m for 1992.

Gold mining results

Mixed fortunes from SA producers

By Philip Gawith in Johannesburg

TAXED income from the gold mines in the Gengold group fell by 11 per cent to R65.1m ($21.2m) in the December quarter, compared with the previous three months.

But Mr Gary Maude, managing director, said the mines were in stronger shape than a year ago following a campaign to mine more efficiently.

The improvement is reflected by income after tax and capital expenditure rising to R48.3m compared with R22.4m in the December 1991 quarter.

Total tonnes milled in the group dropped by 18 per cent to 2.92m in the December quarter from 3.56m a year previously. The average yield, however, rose by 18 per cent to 6 grammes per tonne from 5.1.

While gold production over the same period fell by 4 per cent to 17,459kg, working costs per kg of gold produced fell by 3 per cent to R26,812 per kg, despite inflation averaging about 14 per cent during 1992.

The best performances during the quarter came from Beatrix and Unisel which respectively increased taxed income to R12.7m from R7.9m and to R5.8m from R3.3m from the September quarter.

St Helena made a R3.4m loss compared with R4.1m profit the previous quarter. The figures, however, include a R8.6m one-off retrenchment cost following an effective halving of the mine's operations.

Mr Maude said the St Helena mine was set to make a solid return to profit.

At the Anglovaal and Johannesburg Consolidated Investment groups profits from gold mines increased during the December quarter.

Gary Maude: Gengold mines in stronger shape than a year ago

Helped by an impressive performance from flagship Hartebeestfontein, Anglovaal lifted taxed profits by 57 per cent to R35.3m from R22.5m during the quarter.

Taxed profit at Hartebeestfontein rose to R32m from R20.7m. Elsewhere in the group profits at ETC rose to R5.8m from R5m while losses at Loraine fell to R2.9m from R3.4m.

Taxed profits in the JCI group rose by 11.3 per cent to R62.6m from R56.2m on the back of a 3 per cent increase in production to 12,714kg from 12,338kg. Randfontein and Western Areas jointly broadly maintained taxed profits at R48.4m and R8.9m respectively.

While Joel improved its financial performance considerably – taxed profits rose to R5.2m from R775,000 during the last quarter – poor development results caused tons milled to fall by 14.4 per cent during the quarter.

The lower levels of production have forced the mine to take steps to restore profitability.

GREEK EXPORTS S.A.
ANNOUNCEMENT
OF A PUBLIC AUCTION FOR THE HIGHEST BID

GREEK EXPORTS S.A., based in Athens at 17 Panepistimiou Street and legally represented, in its capacity as Liquidator in accordance with article 14 of law 2000/1991, and following decision No. 9338/1992 of the Athens Court of Appeal

ANNOUNCES

A public auction for the highest bid, with sealed, binding offers for the purchase, in toto, of the assets of the Industrial and Commercial Heating Products Company (ABEETH) S.A. established in Athens at 10 Ermonassis Street, Rizoupolis and which is under special liquidation.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

The Industrial and Commercial Heating Products Company (ABEETH) S.A. operates in a rented space within the installations of THERMIS S.A. at 10 Ermonassis Street, Rizoupolis. Its activities include the production and sale of steel boilers and steel heating radiators, the sale of heating and air conditioning equipment and the assembly of elements for the manufacture of the above items supplied from Greece or from abroad. These products are of a high quality and bear the recognised trademark of "THERMIS" which it owns and which it is authorised to use.

TERMS OF THE AUCTION

1. In order for the auction to take place, all interested parties are invited to receive from the Liquidator, the Offering Memorandum which describes in more detail the assets of the Company for sale, its obligations, and the necessary procedures for its transfer, as well as the form of the Letter of Guarantee needed for the submission of a binding offer to the Athens notary public assigned to the auction, Mrs. Flora Balana-Zoulia at 14-16 Feidiou Street, 6th floor, Tel. 30-1-362.8143 and 360.0855 up to Wednesday 10th February 1993 at 1900 hours.

2. Bids will be unsealed before the above notary on Thursday 11th February 1993 at 1000 hours and with the Liquidator in attendance. All those who have submitted bids within the prescribed time limits can also attend. Any bids submitted beyond the prescribed time limits will not be accepted or considered.

3. The sealed, binding offers must clearly state the price offered for the purchase, in toto, of the Company's assets and must be accompanied by a Letter of Guarantee from a bank legally operating in Greece, for the amount of twenty million drachmas (20,000,000 drs.) or its equivalent in U.S. dollars.

4. The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, trademarks, titles, rights, rights for mineral ore exploration, etc. are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not, and with the proper legal procedures.

5. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90 article 46a, para. 1 as in force), known hereafter as the Majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale nor for the possible refusal of the State to approve, as required, the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.

6. Prospective buyers hereinafter referred to as "Buyers", shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgment and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 46a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.

7. Bids should not contain terms which might prevaricate their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at their incontestable discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims or the outcome of court actions brought by the company in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding the insurance cover, etc.

8. In the event that the person to whom the auction is adjudicated, fails in his obligation to appear within twenty (20) days from being invited to do so, and sign the relative sale contract and fails to abide by the other obligations accruing from the present announcement, then the above-mentioned guarantee of twenty million drachmas (20,000,000 drs.) is forfeited to the Liquidator in compensation for expenses of any kind, time spent, and any actual or hypothetical loss sustained, with no obligation on the Liquidator's part to furnish any specific proof or deem that the amount has been forfeited to him as a penalty clause, and collect it from the guarantor bank.
Guarantees deposited by other bidders shall be returned to them after the Liquidator's evaluation report has been approved by the Majority Creditors and the highest bidder's guarantee shall be returned to him after he has paid the sale price and the act of settlement has been drawn up and signed.

9. The highest bidder is deemed the one whose offer has been so judged by the Liquidator and approved by the Majority Creditors as being in their best interests.

10. The Liquidator shall not be liable to participate in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.

11. Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the Liquidator, for any cause or reason.

12. Transfer expenses of the assets for sale (taxes, stamp duty, notarial and mortgagor's fees, rights and other expenses for drawing up topographical diagrams as required by Law 651/77, etc.) are to be borne by the Buyer.

Interested parties should apply for further information to:

a) The head office of the Hellenic Industrial Development Bank, Directorate of Public Holdings, at 87 Syngrou Ave. 2nd floor, 117 45 Athens, Greece, Tel. 30-1-929.4395 and 929.4396 and to
b) Greek Exports S.A., 17 Panepistimiou Street, 1st floor, 105 64 Athens, Greece, Tel. 30-1-324.3111-115.

INTERNATIONAL COMPANIES AND FINANCE

Arnotts advances 33% at half way

By Kevin Brown in Sydney

ARNOTTS, the Australian biscuit-maker, yesterday said a 33 per cent increase in six-month net profits to A$37.4m (US$26.7m) before abnormal items justified its rejection of a hostile takeover offer by Campbell Soup, the US food group.

The company is increasing its interim dividend to 15 cents a share from the 10.5 cents paid a year ago.

Mr Bill Purdy, chairman, said the result underlined the inadequacy of Campbell's "final" offer of A$9.50 a share, which values Arnotts at A$1.3bn. "Do not sell; the company is too valuable," he told shareholders.

Mr Purdy said Arnotts was on course to achieve its forecast net profit of A$67.7m before abnormal items for the year ending June 1993. The board has also forecast a net profit of A$80.9m for 1993-94.

Arnotts said it would continue to urge Campbell to increase its offer to about A$11, the mid-point of a range of valuations for the company's shares produced in an independent report by Grant Samuel, the merchant bank.

A number of financial institutions are believed to be considering accepting the offer for part of their holdings, which would give Campbell more than 50 per cent ownership of Arnotts.

However, the New South Wales supreme court has ruled that a 1985 agreement between the companies means that Campbell must acquire 85.1 per cent of the shares before it can take control of Arnotts' board.

Analysts say Campbell would need to improve its offer or launch a new offer later in the year to achieve board control. Campbell has said it would not improve the offer in any circumstances.

Arnotts said its improved result reflected improved productivity in its biscuit division following substantial restructuring, the disposal of non-core activities and the successful launch of several new products.

The group said biscuit margins had improved "significantly," and forecast further benefits from the restructuring would flow through into profits in the second half.

The improved profit was achieved on turnover up 6.7 per cent to A$363.6m after adjusting for the sale of non-core businesses.

The group said that biscuit sales volume was "steady, in spite of the poor state of the economy."

Net profit increased to A$53.3m after including an abnormal profit of A$15.8m resulting from the sale of the group's White Rose flour mill operations and a packaging company, offset by restructuring costs and additional taxation.

Improved coal, gold sales help lift MIM

By Kevin Brown

MIM Holdings, the Australian resources group, yesterday announced a 45 per cent increase in net profit to A$51.1m (US$36.5m) for the six months to December 13, in spite of a weak second quarter.

Net profit rose to A$76.8m including an abnormal profit of A$25.7m from the sale of a 28 per cent interest in the McArthur River zinc mining project.

Sales increased by 3.8 per cent to A$871m.

MIM said the improved result was caused by a fall in the value of the Australian dollar, higher domestic gold sales, higher coal sales from the Oakey Creek mines, and a higher zinc price.

Gold operations at Porgera, the Papua New Guinea mining operation which is 30 per cent owned by Highlands Gold, a 65 per cent subsidiary of MIM, produced "good" results, the group said.

Second-quarter net profit before abnormals was A$16.6m, a significant increase on the A$12.5m profit in the comparable period of the previous year, but substantially lower than the A$34.5m profit achieved in the first quarter of the current year.

MIM said the subdued second-quarter result was influenced by a significant downturn in prices for copper, lead, silver and zinc. Sales volumes were also lower, particularly for zinc.

Mr Norm Fussell, chief executive, said the group had achieved its target of cutting costs at the Mount Isa mine in Queensland by A$100m a year. MIM said last month that output of zinc/lead ore at Mount Isa would be cut by 15 per cent in response to low prices.

The directors declared an unfranked interim dividend of 2.5 cents, compared with 2 cents in the first half of the previous year.

MIM shares closed 3cents higher at A$2.32 on the Australian Stock Exchange.

Champion in telecoms joint venture

CHAMPION Technology, the recently-listed telepaging group, has formed a joint venture with the privately-owned Harilela group which will be aimed at the Indian telecommunications market, Reuter reports from Hong Kong.

The joint venture has a 47 per cent stake in New Delhi-based Weston Pagers.

Weston is in the running for a national paging services licence from the Indian government, which has recently deregulated the telecommunications industry.

Champion will supply equipment and technical and operational services to Weston. It will also make pagers in India.

No details on shareholdings in the joint venture were provided.

The group also said that it had signed agreements with Orbital Sciences of the US to provide low orbit satellite two-way communication services in China.

It said that the system was low cost compared with high-orbit satellite systems.

The group will be responsible for modifying the system to suit China's market demands, such as developing Chinese language communication services.

Notebook PC unveiled in Japan

By Robert Thomson in Tokyo

PRICE competition in the previously-sheltered Japanese personal computer market intensified yesterday with the unveiling by IBM Japan and Canon, the office equipment maker, of a jointly- developed, notebook-style computer with built-in printer.

Earlier this week, NEC, the Japanese electronics company which has about 53 per cent of the PC market, announced a cheaper model range that was seen as a response to a fast-increasing flow of lower-priced imports from Compaq and Dell Computer, the US makers.

At the same time, PC demand is falling in Japan, with sales down an estimated 15 per cent last year, putting extra pressure on makers to discount products.

Industrial companies are cutting their capital spending budgets, while domestic users appear reluctant to trade-in existing models, particularly as there are expectations of further price cuts later this year.

The IBM-Canon machine, which will have a list price of Y298,000 ($2,374), has a 32-bit central processing unit and built-in bubble-jet printer capable of holding 10 sheets of paper.

The companies are hoping for annual sales of about 50,000 units, arguing that its price compares favourably with that of existing Japanese notebook PCs.

Japan's computer market was given a shake by Compaq late last year when it announced the arrival of a Y128,000 model, which was about half the price of comparable Japanese machines. IBM Japan has since marketed lower-priced machines, and NEC this week released a desk-top model for Y318,000.

NEC claims its machines are more powerful, offering users value for the extra money, while the company has its own software.

Japanese retailers, which have traditionally had large margins on NEC machines, also have room to make further discounts if sales are sluggish.

The Japanese company offers notebook-style computers starting at Y288,000, which will be under extreme pressure from the foreign competition.

NEC insists it will not be caught in a "low price, low quality" spiral, but it is facing a challenge from high-quality imported machines, which come with suitable Japanese language software.

Nestlé Hungaria in Ft2bn CP issue

By Nicholas Denton in Budapest

NESTLE Hungaria, part of the Swiss foods group, yesterday kick-started Budapest's commercial paper market with an issue of short-term notes.

Nestlé Hungaria is to issue up to Ft2bn ($24m) in notes with principal guaranteed by Nestlé. Nestlé Hungaria said it would use the proceeds to satisfy its regular working capital needs. The notes are not expected to a premium above Hungarian Treasury bills, which have an average yield of 16.2 per cent, according to the DWIX index.

Nestlé Hungaria will make considerable savings by borrowing through a CP issue rather than through banks. The most competitive prime rates are about 5 per cent higher than Treasury yields, largely because of banks' requirements to hold reserves.

Credit Suisse First Boston, which is acting as dealer and arranger, said it was in talks with other companies on CP issues.

CSFB expects joint ventures, units of multinationals and domestic companies to make CP issues this year. CSFB Budapest has already arranged Forint bond issues for itself and the Hungarian units of McDonald's and Levi Strauss.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.01.93: Pool purchase price £/MWh	Final Prices for Trading on 24.12.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.49	20.18	20.18
0100	18.61	28.11	27.19
0130	25.17	28.11	27.18
0200	25.17	28.11	27.12
0230	21.48	22.40	23.28
0300	21.28	22.40	23.28
0330	18.49	22.40	23.27
0400	18.38	22.38	23.22
0430	17.84	18.70	18.70
0500	17.80	18.70	18.70
0530	17.87	17.72	17.72
0600	17.88	17.72	17.72
0630	18.29	18.88	18.88
0700	21.13	22.52	23.46
0730	21.28	22.11	23.04
0800	21.88	22.52	23.46
0830	21.84	22.88	23.83
0900	21.93	24.43	28.44
0930	21.93	25.14	28.76
1000	21.93	25.14	26.15
1030	21.94	25.14	26.18
1100	21.94	24.88	25.84
1130	21.84	24.45	25.44
1200	27.24	23.18	24.10
1230	27.54	22.88	23.83
1300	27.24	20.83	20.03
1330	21.93	19.80	19.60
1400	21.93	18.88	18.88
1430	21.84	17.70	17.70
1500	21.84	17.71	17.71
1530	21.93	17.71	17.71
1600	21.84	18.94	19.94
1630	23.61	23.50	24.46
1700	28.66	24.10	25.03
1730	28.90	25.58	26.53
1800	28.63	25.80	28.74
1830	28.39	25.80	28.74
1900	24.28	25.80	28.74
1930	24.23	24.70	25.00
2000	21.93	23.58	24.50
2030	21.28	23.58	24.51
2100	21.28	23.68	24.53
2130	21.28	23.03	23.95
2200	21.28	23.03	23.98
2230	18.50	18.70	18.78
2300	17.83	17.70	17.79
2330	17.80	17.70	17.70
2400	17.57	17.80	17.88

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. ... Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. ... Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. ... Monday to Friday.
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SRIRACHA REFINERY EXPANSION
TAX ABSORBED EXPORT CREDIT FINANCING
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ABN AMRO Bank (Belgie) N.V. — Société Générale — The Industrial Bank of Japan, Limited Singapore Branch
Kredietbank NV — The Sumitomo Bank, Limited — Banque Nationale de Paris

Agent for ECGD Financing
Bank of America NT & SA
London Branch

Mediocredito-supported Financing
Agent: ABN AMRO Bank N.V. Amsterdam
Paying Agent: ABN AMRO Bank N.V. Rome Branch

Export Credits and Swap Advisor
BANK OF AMERICA

December 1992

U.S.$600,000,000
BNP
Banque Nationale de Paris
Partly Paid Registered Floating Rate Notes Due 1995
Interest Rate: 5¾% per annum
Aggregate Rate: 6.918887% per annum
Interest Period: 21st January 1993 21st July 1993
Interest Amount per U.S.$250,000 Note due 21st July 1993: U.S.$6,913.28
Credit Suisse First Boston Limited
Agent

To the Holders of
Stichting Restructured Obligations Backed by Senior Assets 2 (ROSA2)
Pursuant to the Indenture dated as of January 10, 1992, between the Parent and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period January 15, 1993 through April 14, 1993, the rates applicable to the Secured Senior Floating Rate Notes and Secured Senior Subordinated Floating Rate Notes are 4.02500 and 4.72500 respectively.

ECU 200,000,000
Crédit Foncier de France
Floating Rate Notes due 1996
For the period from January 21, 1993 to April 21, 1993 the Notes will carry an interest rate of 10.05% per annum with an interest amount of ECU 251.25 per ECU 10,000 and of ECU 2,512.50 per ECU 100,000 Note.
The relevant interest payment date will be April 21, 1993.
Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

European Investment Bank
£185,000,000 9 per cent. Loan Stock 2001
S.G.Warburg & Co. Ltd. announces on behalf of European Investment Bank that in the six months preceding 16th January, 1993, £500,000 nominal amount of the above Loan Stock was cancelled pursuant to the provisions of the Purchase Fund relating to the above Loan Stock. As of 16th January, 1993 £169,500,000 nominal amount of the above Loan Stock was outstanding.
S.G.Warburg & Co. Ltd.
Purchase Agent
21st January, 1993

U.S. $250,000,000
BankAmerica Corporation
Floating Rate Subordinated Capital Notes due 1997
(originally issued by)
Security Pacific Corporation
For the period from November 21, 1992 to February 20, 1993 the notes will bear interest at the rate of 5% per annum with an interest amount of U.S. $127.78 per U.S. $10,000 principal amount of notes payable on February 22, 1993.
By: The Chase Manhattan Bank, N.A.
London, Agent Bank
January 21, 1993
CHASE

SMITH NEW COURT
The following transactions were completed by Smith New Court in December 1992
National Express Group PLC
Flotation - £60,000,000
Trio Holdings PLC
Acquisition of Martin Bierbaum
Rights Issue and Placing - £25,800,000
US Smaller Companies Investment Trust plc
Placing and Open Offer - £40,000,000

U.S.$200,000,000 Guaranteed Floating Rate Notes
Repayable at the Option of the Holder of par Commencing October 1982
Citicorp Overseas Finance Corporation N.V.
(Incorporated with limited liability in the Netherlands Antilles)
Unconditionally guaranteed by
CITICORP
Notice is hereby given that the Rate of Interest has been fixed at 3.1875% and that the interest payable on the relevant Interest Payment Date, April 21, 1993 against Coupon No. 52 in respect of US$10,000 nominal of the Notes will be US$79.69.
January 21, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

U.S. $75,000,000
The Bank of New York Overseas Finance N.V.
(incorporated with limited liability in the Netherlands Antilles)
Guaranteed Floating Rate Subordinated Notes due January 1996
Unconditionally Guaranteed, on a Subordinated Basis, as to Payment of Principal and Interest by
The Bank of New York Company, Inc.
(Incorporated in New York, USA)
Notice is hereby given that the Rate of Interest has been fixed at 5.25% p.a. and that the interest payable on the relevant Interest Payment Date, April 21, 1993, against Coupon No. 37 in respect of U.S. $10,000 nominal of the Notes will be U.S.$131.25.
January 21, 1993, London
By: Citibank, N.A. (Issuer Services), Reference Agent CITIBANK

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هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

Weaker-than-expected retail sales spur UK issues

By Antonia Sharpe in London and Patrick Harverson in New York

UK government bonds firmed in fairly active trading yesterday as weaker-than-expected retail sales in December revived hopes of a further cut in base rate. Retail sales fell 0.7 per cent last month, compared with market expectations of a rise of between 0.3 to 0.4 per cent.

The interest rate speculation prompted a steepening of the yield curve, and at the short end, the 10 per cent gilt due 1994 rose 1/8 to 104¾ to yield 6.35 per cent. However, longer-dated issues were held back by

GOVERNMENT BONDS

the forthcoming auction, due on January 27, and the 9 per cent 2008 gilt closed at 101 19/32 down 1/8 on the day, to yield 8.82 per cent.

■ GERMAN government bond prices fell in late trading ahead of the Bundesbank's regular fortnightly council meeting today as hopes of a cut in headline interest rates waned.

The Bundesbank yesterday accepted bids for DM60bn in a tender for 14-day securities repurchase funds, allocating funds mostly at 8.60 per cent.

The March bund contract traded on Liffe closed a ¼ point lower at 92.95 in modest volume of little over 35,000 contracts, after an early high of 93.14 and a low of 92.92 in the afternoon.

Caution ahead of the Bundesbank's meeting spread to other European government bond markets. Dutch bonds tracked their German counterparts, falling in the late afternoon. However, dealers said that a correction had been expected after the sharp gains in the Dutch market recently. The new 10-year bond slipped 35 basis points to 99.35, to yield 7.09 per cent.

h Elsewhere in Europe, Italian government bonds also ran into profit taking, and the Liffe March futures contract eased 9 basis points to 94.77.

■ JAPANESE government bonds closed slightly lower, weighed down by talk that the government might be forced to issue Y5,000bn-worth of deficit-financing bonds in the next fiscal year.

Earlier in the day, cash bonds and futures had risen to their highest levels in nearly five years on growing expectations of a rate cut in Japan. Mr Hiroshi Mitsuzuka, chairman of the Liberal Democratic Party's policy affairs research council, reportedly called for a decisive cut in the official discount rate.

The March futures contract rose to 109.63, its highest level since February 5, 1988, but it fell sharply to end at 109.21 in Tokyo after 109.37 on Tuesday. In London, the contract recovered to 109.29/30.

Some dealers said they expected some short-term weakness in the March contract but that a target of 110.95 was still possible. The yield on the benchmark No 145 10-year bond ended at 4.365 per cent in Tokyo, two basis points higher on the day, and was broadly unchanged in London trading.

■ US TREASURY prices firmed slightly at both ends of the yield curve yesterday morning, aided by a mixture of speculative demand, buying by fund mangers, and declining oil prices.

By midday, the benchmark 30-year government bond was up 1/8 at 103 19/32, yielding 7.295 per cent. At the short end of the market, the two-year note was up 1/16 at 100 15/32, to yield 4.352 per cent.

There was no fresh economic news released yesterday, so trading was relatively subdued, and attention was fixed on the presidential inauguration ceremony in Washington.

However, a decline in crude oil prices, a reaction to conciliatory noises emanating from the Iraqi government, helped market sentiment.

Long bond prices remained surprisingly firm following Tuesday's big advance, which some analysts feared would trigger a sell-off.

Intermediate prices fared less well, suffering from some selling of three-year and five-year notes, but the short end held up well.

■ THE London Clearing House (LCH) said yesterday that it was extending the range of German securities which can be used as collateral by its clearing members to cover margin liabilities.

From today, the clearing house will accept Bundesschatzanweisungen-Obligationen der Deutschen Bundespost and Obligationen der Deutschen Bundesbahn.

FT FIXED INTEREST INDICES

	Jan 20	Jan 19	Jan 18	Jan 15	Jan 14	Year ago	High *	Low *
Govt Secs (UK)	93.48	93.28	93.44	93.60	93.48	87.70	95.54	85.11
Fixed Interest	108.67	108.74	108.75	108.87	108.80	100.00	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Jan 19	Jan 18	Jan 15	Jan 14	Jan 13
Gilt Edged Bargains	116.2	115.0	96.2	98.7	96.2
5-Day average	104.5	98.3	97.0	96.8	97.1

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.1898	[illegible]	8.73	9.00	8.94
BELGIUM		8.750	06/02	107.7000	-0.350	7.57	7.56	7.99
CANADA *		8.500	04/02	102.9500	+0.150	8.04	8.21	7.89
DENMARK		9.000	11/00	102.9700	-0.055	8.46	8.92	9.16
FRANCE	BTAN	8.500	03/97	102.2317	-0.350	7.83	7.90	8.22
	OAT	8.500	11/02	104.5300	-0.500	7.81	7.99	8.25
GERMANY		8.000	07/02	105.8200	-0.230	7.18	7.14	7.34
ITALY		12.000	05/02	94.9000	+0.075	13.377†	13.66	13.58
JAPAN	No 119	[illegible]	06/99	102.8247	-0.105	4.24	4.44	4.35
	No 145	5.500	03/02	107.4998	-0.037	4.38	4.49	4.60
NETHERLANDS		8.250	08/02	107.4800	-0.270	7.12	7.21	7.41
SPAIN		10.300	06/02	91.1250	+1.000	11.89	12.30	12.50
UK GILTS		10.000	11/96	108-23	+10/32	7.02	7.19	7.34
		9.750	08/02	108-26	+9/32	8.38	8.42	8.42
		9.000	10/08	101-13	-	8.82	8.79	8.89
US TREASURY *		6.375	08/02	98-21	-3/32	6.57	6.67	6.69
		7.625	11/22	103-31	-1/32	7.29	7.45	7.40
ECU (French Govt)		8.500	03/02	101.0850	-0.040	8.23	8.38	8.80

London closing. *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Liffe launches medium-term German contract

By Tracy Corrigan

THE launch of Liffe's medium-term German government bond (Bobl) future today represents the latest round in a fight with Germany's Deutsche Terminbörse for dominance of German interest-rate products.

Last week, the DTB announced plans to link with France's Matif, increasing the penetration of its D-Mark products.

This is the first time Liffe has launched a new product in direct competition with a well-established contract on another exchange.

Liffe's Bobl contract will compete with a similar contract on the DTB, launched in October 1991, which is currently trading an average daily volume of 13,000 contracts. Last week, the DTB introduced options on the Bobl future.

The two exchanges already compete head-to-head over bund futures. So far, Liffe has managed to hold on to its lead with about 70 per cent of the market.

Liffe also offers a short-term interest rate contract, known as the Euromark future, which is now almost as actively traded as the bund future, with volume of over 50,000 contracts a day.

The introduction of a medium-term bond future will encourage spread-trading.

"The German bond yield curve is expected to steepen, so there is a likely to be a lot of spread-trading between five and 10 years," said Mr Steve Ballard of BZW Futures, one of the designated brokers for the new contract.

By taking a long position in the five-year contract and a short position in the 10-year contract, investors can express the view that the yield spread between five and 10-year bonds is set to widen.

Some dealers said the availability of short, medium and long-term instruments, allowing trading across the yield curve, would help win business back to Liffe.

The DTB does not yet have a short-term contract although it is currently considering introducing a D-Mark interest rate future.

According to dealers, international business routed through the DTB in order to trade the Bobl future could return to Liffe.

"A lot of business has been done through brokers by firms which could deal directly on Liffe," one trader claimed.

However, while Liffe dominates bund future trading, cash market trading in shorter-term German debt is more concentrated in the domestic market, which could give the DTB a natural advantage, in addition to its head start in the contract.

French paper under scrutiny

By Tracy Corrigan

ACTIVITY in the Eurobond market yesterday was spread across a variety of currencies, but investors focused on the French franc market, where two new issues for French financial institutions, totalling FFr2bn, met strong demand.

The French bond market was widely tipped to outperform other markets at the start of the year, but initially failed to live up to expectations due to

INTERNATIONAL BONDS

concern about currency weakness. Having put the fear of a devaluation behind them, investors have returned to the French market, which boasts strong economic fundamentals, prompting a strong rally in the last 10 days.

On the back of the rally, yesterday's FFr1bn issue of 8¼ per cent bonds due 2000 for Banque Nationale de Paris sold out swiftly. Dealers said the issue, arranged by BNP, was considered very reasonably priced to yield 55 basis points above the comparable French government bond yield, and added that BNP, which is rated AA1 by Moody's and AA by Standard Poor's, remains a prime French bank name.

A FFr1bn 10-year issue for Credit Foncier de France, with a partly-paid structure (40 per cent up front and the balance in a year) met reasonable, though less enthusiastic, demand. The structure was used by Credit Local for a FFr2bn five-year deal earlier this year. According to BNP, the structure allows investors to take a view on French interest rates. However, some dealers said the structure was of more interest when investors are concerned about currency risk. The deal was expected to appeal to retail investors.

Elsewhere, Osprey Mortgage Securities launched its fourth issue of mortgage-backed securities, arranged by Goldman Sachs. The underlying pool of mortgages is originated by SFK, a subsidiary of Sweden's SE Banken. Goldman said that Moody's downgrading of SE Banken's debt last week to A2 did not affect the triple-A rating of the mortgage-backed securities.

The $280m issue brings the amount of mortgages securitised by SE Banken under the Osprey programme to more than $1bn. So far, SE Banken has been the only Swedish bank to securitise mortgages, but the crisis in the Swedish banking industry is expected to encourage other banks to securitise mortgages in order to remove assets from their balance sheets.

In the Eurosterling market, Confederation Life, the Canadian insurance company, launched a £100m issue of 10-year subordinated bonds which will count as lower tier 2 capital under Basle capital guidelines, which came into force at the start of the year.

The 10-year bonds were priced to yield 160 basis points over the comparable gilt. The lead manager reported strong demand but some dealers said investors were concerned about the credit.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyota Motor Credit Corp.(a)	100	5.375	101.375	Jan 1996	1⅞/1¼%	CSFB
L'Auxiliaire du CFF(b)‡	100	(b)	99.875	Feb.2003	50/25bp	Kidder, Peabody Int.
Osprey Mtge.Secs.(No.8)(c,d)‡	33	(c,d)	(c,d)	Feb.1994	18¾/12bp	Goldman Sachs Int.
Osprey Mtge.Secs.(No.8)(c,e)‡	74	(c,e)	(c,e)	Feb.1994	18¾/12bp	Goldman Sachs Int.
Osprey Mtge.Secs.(No.8)(c,f)‡	31	(c,f)	(c,f)	Aug.1995	25/15bp	Goldman Sachs Int.
Osprey Mtge.Secs.(No.8)(c,g)‡	33.7	(c,g)	(c,g)	Aug.1997	37½/20bp	Goldman Sachs Int.
Osprey Mtge.Secs.(No.8)(c,h)‡	36.5	(c,h)	(c,h)	Feb.1997	37½/25bp	Goldman Sachs Int.
Osprey Mtge.Secs.(No.8)(c,i)‡	73.1	(c,i)	(c,i)	Aug.1997	37½/25bp	Goldman Sachs Int.
D-MARKS						
European Investment Bank(j)‡	200	(j)	100	Feb.2003	30bp	Trinkaus und Burkhardt
FRENCH FRANCS						
Crédit Foncier de France(k)	1bn	7.75	100	Feb.2003	47.5bp	BNP Cap.Mkts.
Banque Nationale de Paris	1bn	8.25	101.344	Feb.2000	1⅞/1.55%	Banque Nationale de Paris
Soc.Gén.Acceptance(l)‡	300	(l)	101	Apr.2003	2/1%	Société Générale
STERLING						
Confederation Life Ins.Co.	100	9.875	99.8	Mar.2003	2/1½%	Barclays de Zoete Wedd
CANADIAN DOLLARS						
Swedish Export Credit	100	8	100.7	Aug.1998	1⅞/1⅝%	Wood Gundy

Final terms and non-callable unless stated. *Private placement. ‡Floating rate note. a) Fungible with $300m launched on 5/1/93 from payment date. Plus 8 days accrued interest. b) Borrowers full name: L'Auxiliaire du Credit Foncier de France. Coupon pays 12½bp below 6-month Libor. Minimum coupon 5%, maximum 9⅛%. c) Priced today. d) Class A1 notes. Indicated reoffer yield is 3-month Libor + 17½bp. e) Class A2 notes. Indicated reoffer yield is 3-month Libor + 22½bp. f) Class A3 notes. Indicated reoffer yield is 3-month Libor + 42½bp. g) Class A4 notes. Indicated reoffer yield is 3-month Libor + 62½bp. h) Class A5 notes. Indicated reoffer yield is 3-month Libor + 50bp. i) Class A6 notes. Indicated reoffer yield is 3-month Libor + 57½bp. j) Coupon pays 9% fixed annual in the first year and 13% - 6-month Libor thereafter. k) Partly paid issue: 40% due on 25/2/93 and 60% on 25/2/94. l) Coupon pays 10% fixed annual money market basis for first year and 14½% - 3-month Pibor thereafter.

Rhône-Poulenc tranche oversubscribed abroad

By Antonia Sharpe

THE international tranche of the French government's sale of 6m shares in Rhône-Poulenc, at FFr500 each is oversubscribed, lead-manager, Banque Indosuez, said yesterday.

The offer period for the 1.7m shares in the chemicals company on sale outside France and the US will remain open until Monday. The offer period for the domestic tranche, of 2.7m shares, closes today, while US investors have until Monday to subscribe to their allocation of 1m shares.

On Monday, the French Finance Ministry decided to go ahead with the sale, which had been delayed since last year.

Rhône-Poulenc CIs traded above the offer price of the new shares, closing FFr3 higher at FFr510.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 20

	Issued	Bid	Offer	Chg. day	Yield
U.S. DOLLAR STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FLOATING RATE NOTES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONVERTIBLE BONDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	12	11
Other Fixed Interest	3	1	11
Commercial, Industrial	301	283	840
Financial & Property	119	113	570
Oil & Gas	17	9	59
Plantations	0	1	8
Mines	22	22	77
Others	38	36	57
Totals	557	477	1,633

LONDON RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest renun. date	1993 High	1993 Low	Stock	Closing price p	+ or -	Net div.	Times covd.	Gross yield	P/E ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest renun. date	1993 High	1993 Low	Stock	Closing price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest renun. date	1993 High	1993 Low	Stock	Closing price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings: Jan 11
- Last Dealings: Jan 29
- Last Declarations: April 15
- For settlement: April 26

3-month call rate indications are shown in Saturday editions.

Calls in: Babcock, Berisford, Betterware, Caird, Electron Hse., Greenacre, Higgs & Hill, Kunick, Kwik-Fit, Medeva, Queens Moat and WPP. Puts in: Body Shop, Brent Walker and Suter.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*202)	200	18	30	41	17	32	40
	220	11	23	34	30	44	52

EURO FT-SE INDEX (*2748)

	2575	2625	2675	2725	2775	2825	2875	2925
CALLS								
Feb	183	139	99	65	40	22	11	5
Mar	202	162	126	95	68	47	32	21
Jun	-	-	-	140	-	-	-	-
Sep	-	-	-	-	-	-	-	-
Dec	-	-	-	230	-	-	-	-
PUTS								
Feb	8	15	25	42	67	100	139	183
Mar	23	32	45	63	86	114	148	186
Jun	-	68	-	104	-	-	-	-
Sep	-	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-	-

FT-SE INDEX (*2748)

	2600	2650	2700	2750	2800	2850	2900	2950
CALLS								
Feb	161	130	84	50	29	15	7	3½
Mar	183	145	111	82	57	39	26	16
Apr	205	167	134	104	80	58	42	29
May	217	182	150	122	92	78	62	45
Jun †	229	-	163	-	110	-	70	-
PUTS								
Feb	11	18	32	51	82	120	163	212
Mar	26	37	53	75	102	135	173	216
Apr	40	50	70	90	116	148	182	222
May	47	63	80	100	128	158	193	230
Jun †	59	-	91	-	137	-	199	-

January 20 Total Contracts 24,734
Calls 15,608 Puts 9,126
FT-SE Index Calls 4,118 Puts 2,263
Euro FT-SE Calls 362 Puts 344
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Jan 20	Day's change %	Tue Jan 19	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	127.73	+0.22	127.45	1.43	0.95
2	5–15 years (23)	145.25	+0.23	145.39	2.65	0.48
3	Over 15 years (8)	149.35	-0.10	149.50	1.45	1.05
4	Irredeemables (6)	168.42	-0.66	169.55	2.04	0.00
5	All stocks (61)	141.37	+0.18	141.36	2.06	0.71
	Index-Linked					
6	Up to 5 years (2)	183.82	+0.17	183.51	1.17	0.00
7	Over 5 years (11)	165.01	+0.19	164.68	0.43	0.62
8	All stocks (13)	166.33	+0.19	166.01	0.51	0.55
9	Debs & Loans (62)	123.65	+0.19	123.42	2.97	0.26

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 20	Tue Jan 19	Year ago (approx.)
	British Government				
1	Low	5 years	7.00	7.08	8.77
2	Coupons	15 years	8.35	8.36	9.21
3	(0%-7¾%)	20 years	8.64	8.64	9.21
4	Medium	5 years	7.41	7.48	9.57
5	Coupons	15 years	8.83	8.83	9.31
6	(8%-10¾%)	20 years	9.05	9.03	9.26
7	High	5 years	7.63	7.71	9.81
8	Coupons	15 years	9.11	9.09	9.39
9	(11%-)	20 years	9.20	9.16	9.31
10	Irredeemables (Flat Yield)		9.05	8.98	9.42
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.42	2.48	3.92
12	Inflation rate 5%	Over 5 yrs.	3.81	3.82	4.29
13	Inflation rate 10%	Up to 5 yrs.	1.55	1.59	3.24
14	Inflation rate 10%	Over 5 yrs	3.62	3.63	4.11
15	Debs &	5 years	8.92	8.91	11.00
16	Loans	15 years	9.92	9.94	10.81
17		25 years	10.07	10.10	10.63

ICI insurance arm in marine deal at Lloyd's

By Richard Lapper

IMPERIAL Chemical Industries' insurance subsidiary, IC Insurance, is to reinsure more than £1m worth of business underwritten by a marine syndicate at the Lloyd's insurance market.

IC Insurance, which was formed in the 1920s to underwrite ICI's own risks, already sells insurance to other companies, but this will be the first time that it has had any dealings with Lloyd's, where insurance rates are rising strongly after three years of heavy trading losses.

IC Insurance will underwrite 5 per cent of a whole account "quota share" reinsurance policy for syndicate 741, which is managed by AJ Archer Holdings, the listed Lloyd's agency.

The syndicate specialises in marine risks such as ship hulls and oil rigs and expects to underwrite under £40m in premium income in 1993.

Quota share involves reinsurers assuming a set percentage of risk in return for the same portion of the original premium, less a commission.

However, new Lloyd's rules approved last summer, have increased syndicates' ability to make use of these arrangements in order to boost their capacity to accept premiums.

Under Lloyd's solvency rules the syndicates can only accept premiums equal to their capacity, which directly reflects the capital traded by the Names who back them.

Following the rule change syndicates are allowed to underwrite an extra 25 per cent of premiums if all of this amount is reinsured by quota share with a company outside the market.

This year a number of syndicates have agreed such deals. Mr Robert Godden, IC Insurance marine manager, said: "It is a good opportunity. It didn't stretch our resources and there is no clash with the rest of our business."

IC Insurance had examined reinsurance deals with six Lloyd's syndicates.

Mr Godden stressed that IC Insurance also did deals with insurers outside Lloyd's.

"There is nothing new in it as far as we are concerned."

The deal has attracted interest because Lloyd's is currently examining ways in which it can attract institutional investors and insurance companies to participate directly in syndicates, in order to boost the market's shrinking capital base.

IC Insurance underwrites all classes of insurance. Its annual gross premium income amounted to about £110m in 1990.

Hunter Saphir suspended on bid talks

By Angus Foster

SHARES IN Hunter Saphir, the fresh produce and herbs and spices company, were suspended yesterday as the company announced it was in "advanced discussions" with a possible bidder.

Berisford International, the commodities and property group, has a 19.8 per cent stake in Hunter Saphir's ordinary shares, as well as some preference shares, following a 1986 asset swap.

However, it is understood Berisford is a willing seller of its stake to a third party and has been involved in the discussions. The Saphir family is the other main shareholder and owns more than 20 per cent of the company.

A number of possible suitors were rumoured to be behind the talks. These include food and agribusiness group Dalgety and Albert Fisher, the food processing and distribution concern.

Dalgety was thought to have previously approached Hunter Saphir, in early 1991, but the companies could not agree on price.

According to analysts, the recent fall in Hunter Saphir's share price made it vulnerable to predators. The company has been hit by low volumes at its new British Pepper and Spice factory in Northampton. That, and unsuccessful forays into areas like popcorn, have overshadowed the shares which have been falling since 1989 and touched 27p last October. They were suspended at 36p.

Hunter Saphir said a further announcement would be made today.

Tour chiefs embroiled in battle of brands

Michael Skapinker on Airtours' plans for a sharper profile for Owners Abroad

MR DAVID Crossland, chairman of Airtours, says he is not enjoying the acrimonious exchanges in the wake of the company's hostile £217m bid for fellow tour operator Owners Abroad.

"Sometimes it feels quite hurtful. I read about myself in the newspapers and I think: 'I must be a really bad person. I must be the sort of person who goes home and kicks the wife and the cat'," he says.

He concedes that he should perhaps have considered his personal sensitivity before launching the bid earlier this month.

He does not, however, appear squeamish about attacking Owners Abroad's performance, beginning with what he calls its "misguided policy of brand proliferation."

The question of what brand names to give the holidays they sell is one of the most striking differences between the two companies. Mr Crossland says that if the bid succeeds he will reduce sharply Owners Abroad's brands, raising the question of how successful he will be in keeping its customers.

Virtually everything Airtours sells carries the company's name.

It does sell self-drive camping and mobile home holidays under the name EuroSites. It also last year acquired the Pickfords chain of travel agencies, which continues to trade under its original name.

Otherwise, travellers buy Airtours holidays, whether they are going to the Mediterranean or Florida. Most fly Airtours International, the eight-aircraft charter carrier.

Most Owners Abroad customers probably have no idea which company sold them their holiday. Its package tourists travel under a bewildering range of brand names.

The company was created to sell airline seats to people with holiday homes abroad. It still operates a small business selling seats under the Owners Abroad name.

The 1990 purchase of Redwing, which was 50 per cent owned by British Airways, brought in names such as Sovereign, Enterprise, Martin Rooks and Sunmed. There have been several other acquisitions, adding names like Tjaereborg, which sells direct to the public rather than through travel agents. Owners Abroad's airline is called Air 2000.

Mr Howard Klein, Owners Abroad chairman, says the company has reduced the number of its brands from 13 to nine. Several of the nine do, however, have sub-brands.

Mr Klein argues that the advantage of multi-branding is that different holidays can be sold to different markets.

Sovereign offers up-market packages, Martyn Holidays sells trips to Portugal for older families, Twentys appeals to the youth market, Sunmed offers cheap holidays to Greece and Turkey, Olympic sells more expensive holidays to Greece.

Specialised brands appeal to people who do not like to see themselves as part of the mass tourist market, Mr Klein argues.

Having several different names means Owners Abroad occupies more space on travel agents' racks. It also means that if one brand suffers from bad publicity it does not affect the rest of the company, he says.

Mr Crossland counters that the proliferation of brands is confusing; all package tourists want is value for money. He refuses to specify what he will do with Owners Abroad's brands, but he makes it clear that there will be far fewer of them.

Many in the travel industry believe brands have limited effect. Most holidaymakers have little loyalty to a particular name or company.

Mr Lester Porter, group commercial director of Thomas Cook, the travel agents' chain, says his company has increased sales on some holidays by 30 per cent by putting its own name on them.

But then Thomas Cook, with which Owners Abroad intends to establish links if the Airtours bid fails, is one of the best-known travel brands in the world. Others make less impact.

Mr Porter says: "Some customers will come in and ask us for a particular tour brand. But probably the majority come in and say, 'I'd really like to go to Spain next year and I'd like something on the beach. What do you recommend?' They're looking for the right holiday rather than a particular brand."

Mr Crossland believes Airtours can hold on to most of Owners Abroad's holidaymakers, even if it does get rid of most of its brands, although he concedes that some customers will be lost.

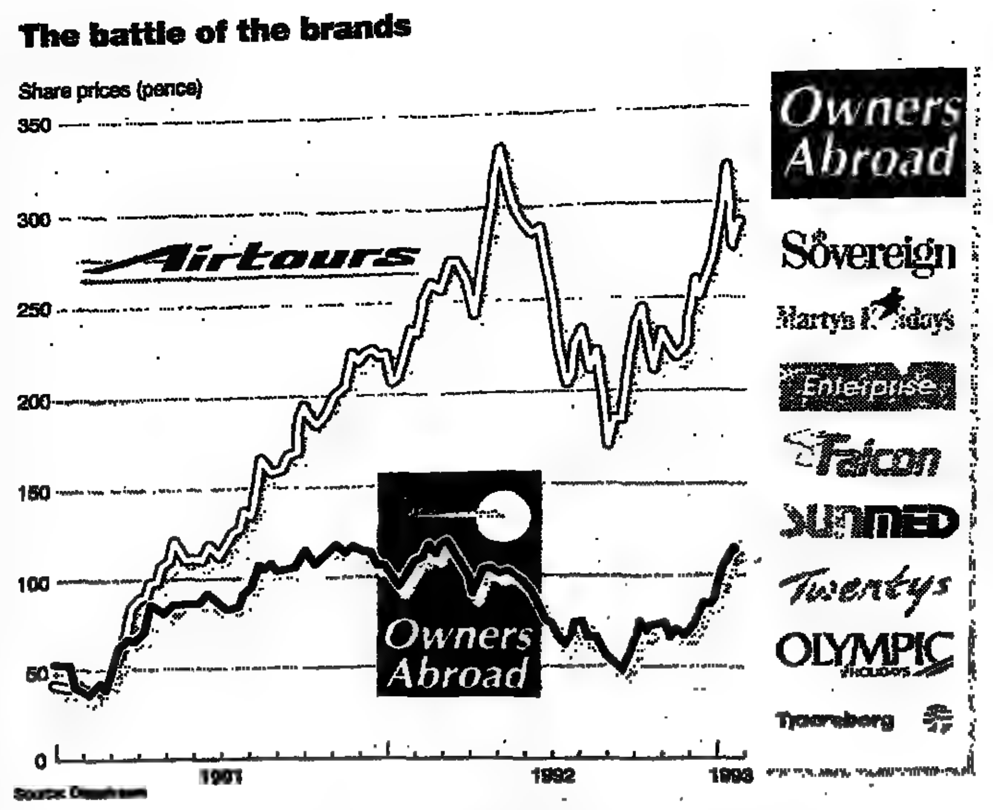
The precedents, however, are not encouraging. When Thomson, the largest tour operator, acquired Horizon in 1989, the enlarged group had nearly 40 per cent of the package tour market. Last year, Thomson's share was about 30 per cent.

Mr Crossland says that what Airtours will be buying, if the bid succeeds, is Owners Abroad's destinations rather than its customers.

It will take over Owners Abroad's hotel beds, even if it sell them under different brands. Mr Crossland argues that customers do remain loyal to certain resorts and hotels.

But what of the hotel owners? When International Leisure Group, then the second biggest operator, collapsed in 1991, many of its senior executives were soon back in business, heading new companies. Owners Abroad executives displaced by a takeover would almost certainly do the same. Won't hoteliers prefer to sell their beds to the Owners Abroad contacts they have come to know?

Mr Crossland says the hoteliers will switch to Airtours, recognising that it had become a larger and stronger company. "They are very sophisticated individuals. They know exactly what's going on. You do them an injustice," Mr Crossland says.



Tuskar accuses dissident of hindering its strategy

TUSKAR, the Dublin-based oil and gas company, yesterday accused a stockbroker and dissident shareholder of trying to hinder its strategy through the hostile bid from fellow Irish resource group, Aminex.

"This approach represents another attempt by Mr John Lord to frustrate the development of Tuskar under its recently reconstructed board", a statement from the company read.

Mr Lord sought unsuccessfully to oust the recently appointed chairman, Mr Duncan McGregor, at the annual meeting before Christmas.

His actions followed the sale of Tuskar's last asset – a 36 per cent stake in a Colombian oil field to Coplex Resources, the Australian exploration company which failed in a recommended bid for the Irish group. Tuskar, whose shares have been suspended at 1p since August, is expected to have some I£5m in the bank if Coplex chooses to pay cash in the final tranche of the deal, due in August.

Tuskar said there was little merit in the hostile offer of two Aminex shares for 11 of its own.

Aminex said the offer would be withdrawn if shareholders approved Tuskar's proposals to purchase a North Sea subsidiary of Bula Resources at the extraordinary meeting on February 5.

Coats makes agreed offer for Youghal

By Maggie Urry

Coats Viyella yesterday announced terms of an agreed bid for Youghal Carpets, valuing the Irish group at I£2.5m (£2.67m). Coats already owns or has options over 90 per cent of Youghal's shares and says that whatever the outcome of the bid Youghal's shares will be delisted.

The offer is 5p a share. Last week Coats took an option to buy 8.7m shares in Youghal from Jaykeel Investments, a Channel Islands-based investment group, for 3p a share.

Coats said that Youghal, for which it originally bid in 1987, had only been able to trade because Coats had guaranteed some of its borrowings and "to survive at all it will require a significant injection of capital". Youghal's properties have been valued at £5.9m.

Ladbroke sells UK retail parks

By Michael Skapinker, Leisure Industries Correspondent

Ladbroke said yesterday that it reached agreement last December to sell its UK retail parks to a consortium of foreign investors for £80m.

It would not say how many sites were involved or who the buyers were. Details of the sale would be provided on March 4, with the 1992 full-year results.

The group said £65m of the purchase price was payable immediately, with the remaining £15m deferred for a period it would not specify. Ladbroke's shares rose 4p to 193p yesterday.

Airline seats market key area for OFT review

By Richard Gourlay

ONE OF the key areas to be examined in the Office of Fair Trading's review of Airtours' bid for Owners Abroad is the future of the airline seat wholesaling market.

According to independent tour operators, Owners Abroad's willingness to act as a large-scale supplier of seats is essential to their viability. Their argument, put crudely, is that he who controls the seats, controls the business.

Airtours, on the other hand, says it would assess the profitability of the business. Airline wholesaling, according to Mr David Crossland, Airtours chairman, is riskier than selling holidays and might not continue on its current scale within an expanded group.

If the bid were successful, Airtours says it would use more of the capacity of Air 2000, Owners Abroad's successful charter airline, for its own customers. As a result, fewer Air 2000 seats would be available in the pool of seats which serves the independent tour operators.

And Airtours might do less general seat wholesaling – that is buying other airlines' excess capacity and matching it with third party demand.

The two group's seat wholesaling businesses are vastly different in scale. Airtours sells to third parties only about 40,000 seats, or less than 3 per cent of the total number of holidays it sells a year.

Owners Abroad, by contrast, sells about 3m seats a year – about two thirds with its holiday packages and about 1m seats to other tour operators.

Mr Crossland says that, in spite of the protests from the independent tour operators, their access to seats is unlikely to change. The total pool of charter seats would not shrink just because Air 2000 would be supplying more of the enlarged group's own requirements.

He dismisses the operators' claim that they might effectively be denied access to some regional airports. Other charterers, like Air UK, Monarch Air and Caledonian, serve many of the UK's regional airports and would be able to supply the seats no longer made available by Air 2000.

What is more, these companies have active seat brokering businesses and would relish expanding to fill any gap left by a less active Airtours.

In the last year the charter market has also seen the arrival of Excalibur, a small airline backed by 3i, the venture capital group, which caters mainly for independent tour operators.

Mr Bob O'Donnell, Excalibur's managing director, says Owners Abroad offers small tour operators flexibility, including the ability to buy a handful of seats on different aircraft from a number of airports.

But there would be little to stop Excalibur expanding. "If there was a capacity shortage in the market because of this deal (a successful Airtours bid), we would bring on new aircraft."

Owners Abroad does not share this vision of flexibility.

Mr Roger Allard, chief executive of Owners Abroad Leisure, says the small tour operators would not be able to persuade charter airlines to put on extra capacity. They would lose the flexibility; and to some destinations, the airlines would have difficulty getting extra landing slots.

Quaker Oats selling Sutherlands

Quaker Oats Company is to sell the Sutherlands Foods division to C Shippam of Chichester, a subsidiary of Pet Incorporated.

Sutherland produces savoury spreads and pastes, but Quaker said those had little strategic fit within the core businesses. Its net assets at June 30 were £3.1m.

Shippam said it will capitalise on the expertise of both businesses to offer a comprehensive range of savoury sandwich filling products with a wider distribution base.

Receivers appointed at Novalal

Novalal, the USM-quoted biotechnology and plant propagation company which was suspended last week pending clarification of its financial position, has been placed in administrative receivership.

Novalal had been in trouble for some time and its last published results, for the 17 months to end-December 1991, showed a £3.5m pre-tax loss.

Mr Peter Lawrence and Mr Brian Mills, of accountants Booth White, have been appointed administrative receivers.

Colorvision back to profit at £153,000

COLORVISION, the Liverpool-based retailer of television and satellite systems, returned to the black with profits of £153,000 before tax in the six months to September 30.

However, last time's losses of £545,000 were caused by an exceptional debit of £808,000 – an adjustment from an understatement of creditors and provisions in prior years.

Turnover grew to £26.75m (£24.1m) and operating losses were halved to £72,000 (£144,000) in what is the company's quieter trading period.

Mr Neville Michaelson, chairman, said that the company had again increased market share, though more slowly than in the previous 12 months. He added that profitability had been adversely affected by shortages in the supply of satellites in the second half of the period.

However, he said that the conditions for economic recovery were now more favourable than for several years.

To reflect the seasonality of the company's trading, the interim dividend is reduced to 2.5p (3.1p), but the total is expected to be maintained at 5.6p. Earnings worked through at 0.5p (losses 1.7p) per share.

PUBLIC WORKS LOAN BOARD RATES

Effective January 19

	Quota loans*		
Years	EPt	Att	at maturity§
1			6¾
Over 1 up to 2	6¾	6¾	7
Over 2 up to 3	7	7	7¼
Over 3 up to 4	7⅛	7⅛	7½
Over 4 up to 5	7⅛	7¼	7¾
Over 5 up to 6	7¼	7⅜	8⅛
Over 6 up to 7	7⅜	7½	8½
Over 7 up to 8	7½	7⅝	8⅞
Over 8 up to 9	7¾	7⅞	9⅛
Over 9 up to 10	7⅞	8⅛	9⅜
Over 10 up to 15	8¾	9¼	9⅞
Over 15 up to 25	9¾	10	10⅛
Over 25	10	10⅛	10⅛

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Exceptionals leave Kunick £12.5m in loss

By Peggy Hollinger

KUNICK, the leisure company which recently sold a 50 per cent stake in its nursing home business to County NatWest Ventures, plunged into the red last year, amid unexpectedly high reorganisation charges and property write-downs.

Exceptional charges of £12.9m left the fruit machine company with pre-tax losses of £12.5m for the year to September 30 against a profit last time of £8.6m. Sales fell by 6 per cent to £109.5m.

At the operating level, profits were hit by a £6.8m fall to £2.7m in the group's fruit machines business, once the cash cow which was to have funded investment in the care services business. Overall operating profits fell from £14.6m to £6.5m.

Mr Christopher Burnett, chairman, said 1992 had been the "most difficult [year] ever experienced in the UK amusement machine industry". He blamed the recession and the disruption caused by the restructuring of the brewing industry following the Monopolies and Mergers Commission's inquiry into beer supply.

The exceptional charges covered a range of Kunick's efforts to meet the downturn, from a £5.4m write-down on property to £4.9m for the closure of a cd/juke box manufacturing business. The setting up of the nursing home joint venture resulted in costs of £2.6m.

Mr Burnett stressed the potential for Kunick following the care services deal in October.

Debt had been cut from £47m to £10m, with gearing from 89 per cent to 19 per cent. The reduction was achieved through the transfer to the joint venture of £24m in bank borrowings, secured against the care services assets, and the £12.5m paid by CNWV for the 50 per cent stake. The chairman said the two investors intended to float the joint venture, Goldsborough Holdings, within one to two years.

Mr Burnett said the visitor attractions business in France would be closed down or sold. In March, Kunick sold its London and York Dungeon attractions for a profit of £4m. This was offset, however, by a £3.4m extraordinary write-down on the French attractions.

Losses per share were 7.61p (0.38p earnings).

● COMMENT

Kunick has managed to survive thus far, leaving many to speculate that the real danger has passed. Certainly the recent rise in the preference shares add weight to that view. The question now, however, is whether one wants to invest in a fruit machine business – even one as lightly geared as Kunick. The upside depends on economic recovery. Although the potential for such an operationally geared company could be good, it will never be quite as exciting following the brewing shake-up. Kunick has had to give up its quality earnings and growth to satisfy the bankers. Potential investors might want some indication of a long-term business strategy before stepping in. Forecasts range from break even to £2m pre-tax. Either way, the shares are highly speculative.

Christopher Burnett: 1992 the most difficult year ever

Eleventh-hour rescue for Expedier

By Matthew Curtin

EXPEDIER, the floundering ticket and box office computer group, announced an eleventh-hour rescue package yesterday, based on a £4.5m share placing, capital restructuring, and management revamp.

The deal will see Expedier, which has been living off extended bank facilities since 1991, pay £2.6m for the remaining 50 per cent stake in its ticket sales joint venture with Wembley, owners of the national stadium and box office. Wembley will receive 260m shares, equivalent to an 18 per cent stake, while Expedier will take on the joint venture's debts.

Wembley also said yesterday it would not match first half pre-tax profits of £2.5m in the second half. The shares fell 2½p to 17p.

Expedier's new-look business will be renamed The Ticketing Group, owning the First Call and Keith Prowse ticket agencies, and Space Time Systems, the computerised box office system (BOCS) supplier. Expedier will issue another 495m shares at 1p each on the basis of 18 new shares for every seven held. The cash raised will reduce borrowings – which stood at £10.5m on December 18 – by £1m.

Mr Richard Templeton, of advisers Richard Fleming, said Expedier would not be able to stay in business without a capital injection. The deal amounted to "a reconstruction with a severe health warning".

The group remained highly geared, reliant on another full year of non-demand facilities provided by its bankers to meet working capital requirements. It had to meet an outstanding preference dividend payment, and trading conditions, with sluggish West End ticket sales, were "uncertain". Expedier was yet to sell Medminster, its furniture hire subsidiary.

The rescue package was put together by a consortium including Mr Karl Sydow and Mr Andrew Myers, directors of the former joint venture, now appointed deputy chairman and finance director. Mr Clive Ng, a director of entertainment and real estate companies in the US and Malaysia, provided finance and joined the board as non-executive director along with Wembley director Mr Alex McCrindle.

Expedier reported a reduced pre-tax loss of £573,000 (£1.42m) in the half-year to June 30 on sharply lower turnover of £3.38m (£6.29m).

Acquisitions help Resort advance 11% to £3.3m

By Angus Foster

RESORT HOTELS, which saw its share price collapse last year on uncertainty about expansion plans, has announced an 11 per cent increase in interim profits helped by acquisitions.

Pre-tax profits rose from £2.92m to £3.25m in the six months to October 31 as the group increased its portfolio of managed or owned hotels by eight to 54. Mr Robert Feld, managing director, said Resort hoped to win further management contracts this year, especially in areas like Manchester where it is poorly represented.

Turnover increased 28 per cent to £9.76m (£7.62m). Occupancy rates were stable at about 60 per cent while average room charges were almost unchanged at just over £40.

A £20.6m rights issue last April, the fourth since the company floated in 1988, almost eliminated year-end debt of £22m. However, there was a £3.3m cash outflow during the period and Mr Feld said gearing would again rise sharply once two planned acquisitions of BES-funded companies, Country Resort Hotels and County Resort Hotels, were completed.

The purchases were cast into doubt when Resort's share price fell below 50p. But the company had now agreed to buy Country Resort for £905,000 and discussions with County Resort were continuing.

Earnings per share dropped from 3.61p to 2.8p, while the interim dividend is maintained at 1.2p. The shares, which last year fell from over 80p to 19p before recovering, fell 2p yesterday to 40p.

NEWS DIGEST

13% rise at Beales Hunter

LOWER INTEREST costs and the contribution from newly-acquired subsidiaries were the main factors behind the 13 per cent profits rise at Beales Hunter in the half-year to November 30.

The refrigeration and electrical components company raised sales to £24.4m (£20.8m) the pre-tax figure increased to £1.36m (£1.2m). This was after an exceptional debit of £50,000 representing reorganisation costs. The interest charge £53,000 (£189,000).

The interim dividend is increased to 2.45p (2.3p) on earnings of 10.4p (11.9p).

The shares fell 11p to 275p.

Bellwether still set on winning Aberdeen

Bellwether Exploration Company said yesterday that it remained convinced of the merits of its proposed merger with Aberdeen Petroleum, which would improve the marketability of both companies' shares.

On Monday, Aberdeen urged investors not to support the suggested swap of 3.75 Aberdeen shares for each of Nasdaq-quoted Bellwether's, saying there was minimal marketability in the latter's stock.

Yesterday Bellwether used the same claim against its target.

It added that a merger would make considerable expertise available to Aberdeen, through the services of Torch Energy Advisors, which manages Bellwether's oil and gas assets worth $1.3bn.

Bellwether also stressed that 57 per cent of its shares are held by three UK-based institutions.

Aberdeen's shares yesterday added ¼p to 11p.

Wm Ransom keeps up early growth

The good start made by William Ransom & Son in the opening four months continued, and for the half year ended September 30 1992 the group lifted sales 7.5 per cent and pre-tax profits 15 per cent.

The group manufactures pharmaceuticals, toiletries and cosmetics, and is involved in research for the food and beverage industry.

Sales came to £3.4m (£3.17m) and profits £289,000 (£251,000). Earnings per share were 1.24p (1.16p) and the interim dividend is again 0.525p.

All-round growth as RCO rises to £4.7m

RCO Holdings achieved "modest growth" in all areas of the business and lifted pre-tax profit from £4.39m to £4.72m in the year ended September 25 1992.

Turnover of this supplier of integrated site support services rose nearly 10 per cent to £47m (£42.9m), and the operating profit worked through at £4.42m (£4.19m).

Earnings for 1991-92 were up from 27.14p to 29.16p per share. The final dividend is 9.24p for a total of 13.86p (12.6p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Beales Hunter ....int	2.45	Feb 26	2.3	-	9.25
Clark (Matthew) ....int	6.75	Apr 9	6.5	-	15.75
Colorvision ....int	2.5	Mar 8	3.1	-	8.1‡
Electron House ....int	1.05	Apr 6	1	-	2.35
Gartmore America ...int	1	Apr 2	1	-	4
Kunick ....fin	nil	-	0.6	nil	1.4
OLIM Convertible ....int	4.6	Feb 26	4.5	8.8	8.5
Ransom (Wm) ....int	0.525	Apr 2	0.525	-	1.77
RCO Holdings ....fin	9.24	Apr 1	8.4	13.86	12.6
Resort Hotels ....int	1.2†	Mar 31	1.2	-	3.45
St David's Inv ....int	3	Mar 31	3	-	14.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡For 18 months.

- **Working costs per kilogram**
  - decreased by 1,1% on previous quarter
  - decreased by 2,8% on quarter ended December 1991
- **Income after tax and capex**
  - up 0,1% on previous quarter
  - up 115,5% on quarter ended December 1991

Gengold

- **Dividends**
  - Buffels 150 cents per share
  - Grootvlei 25 cents per stock unit
  - St. Helena 20 cents per share
  - Stilfontein 30 cents per share

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31 DECEMBER 1992

All companies mentioned are incorporated in the Republic of South Africa

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02088/06

Marginal operation

Issued capital – 11 429 816 stock units of 25 cents each.

OPERATING RESULTS	Quarter ended 31.12.92	Quarter ended 30.9.92	Year ended 31.12.1992
Mined (m²)	27 576	27 600	110 985
Ore milled (t)	111 000	112 000	458 000
Yield (g/t)	5,8	5,6	5,5
Gold produced (kg)	647	624	[illegible]
Working revenue (R/kg)	[illegible]	31 245	32 081
Working costs (R/kg)	[illegible]	30 232	29 460
(R/t milled)	174,77	168,44	161,95
Working income (R/kg)	2 403	1 013	2 611
Gold price received (R/kg)	32 370	31 024	32 000
($/oz)	343	356	348
FINANCIAL RESULTS (R'000)			
Working revenue	20 954	19 497	80 741
Working costs	19 399	18 865	74 172
Working income	1 555	632	6 569
Sundry income – net	1 385	1 848	7 069
Tribute payments – net	[illegible]	310	1 742
Income before tax and lease	1 731	2 170	[illegible]
Tax and lease	471	309	2 381
Income after tax and lease	[illegible]	[illegible]	9 515
Capital expenditure	222	872	[illegible]
Dividend declared	2 860	–	[illegible]

DEVELOPMENT	Quarter ended 31.12.1992 Black Reef	Quarter ended 31.12.1992 Kimberley Reef	Quarter ended 30.9.1992 Black Reef	Quarter ended 30.9.1992 Kimberley Reef	Year ended 31.12.1992 Black Reef	Year ended 31.12.1992 Kimberley Reef
Advanced (m)	434	1 247	309	1 300	1 255	5 233
Advanced on reef (m)	266	865	212	778	771	3 290
Sampled (m)	267	876	208	790	754	[illegible]
Channel width (cm)	84	11	99	12	102	12
Average value – gold (g/t)	15,30	39,4	18,82	41,3	17,6	37,07
(cm.g/t)	1 283	444	1 860	505	1 771	[illegible]

REMARKS
- Estimated capital expenditure for the next six months – R1,0 million.
- Hedging profits of R187 000 from the forward sale of 6 460 ounces of gold are included in working revenue. As of 31 December 1992 – 28 638 ounces were hedged at an average price of R34 238 per kilogram. This position is managed on an ongoing basis.
- *A pumping subsidy for the next fiscal year has been agreed to by the authorities without any limitation on dividends.*
- Final dividend No 108 of 25 cents per stock unit was declared.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

Sharp increase in profits

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

OPERATING RESULTS	Quarter ended 31.12.92	Quarter ended 30.9.1992	6 months ended 31.12.1992
Mined (m²)	125 204	121 241	246 445
Ore milled (t)	516 000	517 000	1 033 000
Yield (g/t)	[illegible]	6,0	6,1
Gold produced (kg)	3 152	3 102	6 254
Working revenue (R/kg)	[illegible]	31 283	31 829
Working costs (R/kg)	22 326	[illegible]	22 837
(R/t milled)	136,38	140,14	[illegible]
Working income (R/kg)	10 040	7 927	8 992
Gold price received (R/kg)	32 366	31 260	31 812
($/oz)	[illegible]	350	345
FINANCIAL RESULTS (R'000)			
Working revenue	102 016	97 041	199 059
Working costs	69 115	72 281	141 376
Retrenchment costs	[illegible]	169	[illegible]
Working income	[illegible]	24 591	[illegible]
Sundry income – net	1 731	1 997	[illegible]
Royalty payment – Beatrix Mines Limited	15 300	14 558	29 858
Income before tax and lease	[illegible]	11 632	29 705
Tax and lease	5 328	3 702	9 030
Income after tax and lease	12 745	7 930	20 675
Capital expenditure	1 817	1 779	3 596
Dividends on preference shares	7 000	5 000	12 000
DEVELOPMENT – Beatrix Reef			
Advanced (m)	[illegible]	8 759	18 073
Advanced on reef (m)	[illegible]	1 726	4 108
Sampled (m)	1 997	1 737	[illegible]
Channel width (cm)	59	66	62
Average value – gold (g/t)	18,3	16,0	17,1
(cm.g/t)	1 082	1 051	1 060

REMARKS
- Estimated capital expenditure for the next six months – R4,6 million.
- Hedging profits of R925 000 from the forward sale of 31 964 ounces of gold are included in working revenue. As of 31 December 1992 – 143 211 ounces were hedged at an average price of R34 238 per kilogram. This position is managed on an ongoing basis.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Yield improved by rationalisation

Issued capital – 9 625 000 ordinary shares of R1 each.
– 3 825 035 "A" cumulative preference shares of R1 each.
– 3 825 035 "B" cumulative preference shares of R1 each.
– 2 465 000 "C" cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1992	Quarter ended 30.9.1992	Year ended 31.12.1992
Mined (m²)	38 007	[illegible]	[illegible]
Ore milled (t)	166 000	316 000	1 153 000
Yield (g/t)	6,9	5,5	6,1
Gold produced (kg)	1 157	1 743	7 052
Working revenue (R/kg)	32 184	31 756	32 192
Working costs (R/kg)	37 446	[illegible]	[illegible]
(R/t milled)	257,89	181,93	187,85
Working loss (R/kg)	5 282	1 226	156
Gold price received (R/kg)	32 184	31 715	32 187
($/oz)	345	350	349
FINANCIAL RESULTS (R'000)			
Working revenue	37 237	55 385	227 017
Working costs	34 737	57 242	216 618
Retrenchment costs	[illegible]	249	11 503
Working loss	6 088	2 136	[illegible]
Sundry income – net	[illegible]	[illegible]	23 839
Income (loss) before tax and lease	[illegible]	6 634	[illegible]
Tax and lease	951	2 557	[illegible]
Income (loss) after tax and lease	(3 409)	4 077	14 255
Capital expenditure	[illegible]	271	[illegible]
Dividend declared – ordinary shares	1 925	–	11 550

DEVELOPMENT	Quarter ended 31.12.1992 Basal Reef	Quarter ended 31.12.1992 Leader Reef	Quarter ended 30.9.1992 Basal Reef	Quarter ended 30.9.1992 Leader Reef	Year ended 31.12.1992 Basal Reef	Year ended 31.12.1992 Leader Reef
Advanced (m)	1 106	25	2 151	152	6 786	[illegible]
Advanced on reef (m)	249	–	[illegible]	110	1 386	653
Sampled (m)	275	5	318	93	1 387	660
Channel width (cm)	165	[illegible]	130	176	133	170
Average value – gold (g/t)	5,9	1,8	9,1	2,6	8,0	2,9
(cm.g/t)	975	421	[illegible]	454	1 065	487

REMARKS
- Estimated capital expenditure for the next six months – R1,6 million.
- Hedging profits of R339 000 from the forward sale of 11 713 ounces of gold are included in working revenue. As of 31 December 1992 – 50 278 ounces were hedged at an average price of R34 238 per kilogram. This position is managed on an ongoing basis.
- Treatment of slimes by Free State Consolidated Gold Mines (Operations) Limited yielded a profit of R310 000 for the quarter.
- Final dividend No. 75 of 20 cents per share was declared.

BRACKEN Mines Limited

Company Registration No. 56/01126/06

Cost effective closure assured

Issued capital – 14 000 000 shares of 90 cents each.

OPERATING RESULTS	Quarter ended 31.12.92	Quarter ended 30.9.1992
Mined (m²)	2 487	6 098
Ore milled (t)	19 500	23 000
Yield (g/t)	24,5	15,2
Gold produced (kg)	477	350
Working revenue (R/kg)	[illegible]	33 149
Working costs (R/kg)	16 140	17 183
(R/t milled)	394,82	261,48
Working income (R/kg)	[illegible]	15 966
Gold price received (R/kg)	32 378	31 084
($/oz)	341	350
FINANCIAL RESULTS (R'000)		
Working revenue	15 519	11 602
Working costs	[illegible]	[illegible]
Retrenchment costs	1 421	–
Working income	7 820	5 586
Sundry income – net	1 091	1 573
Tribute and royalty payments – net	81	37
Income before tax and lease	8 830	7 124
Tax and lease	[illegible]	3 700
Income after tax and lease	[illegible]	3 424
Capital recoupment	2 114	274
Dividend declared	–	[illegible]

REMARKS
- Hedging profits of R140 000 from the forward sale of 4 837 ounces of gold are included in working revenue. As of 31 December 1992 – 3 313 ounces were hedged at an average price of R34 238 per kilogram. This position is managed on an ongoing basis.
- No development was carried out during the quarter and underground operations will probably cease in the coming quarter.

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01978/06

Sale of assets finalised

Issued capital – 4 250 000 ordinary shares of R1 each.
– 25 000 deferred shares of R2 each.

BALANCE SHEET (R'000)	Year ended 31.12.1992
Capital employed	
Share capital	[illegible]
Non-distributable reserve	[illegible]
Distributable reserve	25 736
Long-term loan	3 132
	40 011
Employment of capital	
Fixed assets	11 371
Net current assets	28 640
– Debtors	3 986
– Deposits, bank and cash	3 418
– Purchase consideration	32 522
– Less creditors and tax	(11 286)
	40 011

REMARKS
- Shareholders approved the disposal of the major portion of the company's assets at the general meeting which was held on 14 December 1992. All the conditions precedent to the agreement have been met and the disposal of the assets has become unconditional.
- *The company's listing on The Johannesburg Stock Exchange has been transferred from the "Gold – Witwatersrand and Others" sector of the list to the "Gold – Curtailed Operations" sector. As a condition precedent to its approval of the disposal, the South African Reserve Bank instructed that the company's listings on the London Stock Exchange and the Paris Bourse should be terminated not later than 6 months after the general meeting. However, the company feels that this will prejudice the tradeability of the shares and discussions in this regard are proceeding.*
- Bearing in mind the warranties and undertakings given to the purchasers regarding the proceeds of the sale, the directors are still evaluating the most effective method of distributing the funds in the company.
- As the company has effectively ceased mining operations it will no longer publish a quarterly report, but it will publish an interim report each year.

STILFONTEIN Gold Mining Company Limited

Company Registration No. 08/33412/06

Dividends resumed

Issued capital – 13 062 920 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 31.12.1992	Quarter ended 30.9.1992	Year ended 31.12.1992
Mined (m²)	–	–	1 844
Ore milled – underground (t)	–	–	7 000
– surface dumps (t)	296 000	357 000	[illegible]
– total (t)	[illegible]	357 000	1 616 000
Yield – underground (g/t)	–	–	6,4
– surface dumps (g/t)	1,3	1,1	1,0
– combined (g/t)	1,3	1,1	1,0
Gold produced (kg)	381	413	1 694
Working revenue (R/kg)	32 152	[illegible]	32 018
Working costs (R/kg)	31 727	[illegible]	35 530
(R/t milled)	40,84	[illegible]	37,24
Working income/(loss) (R/kg)	425	(937)	(3 512)
Gold price received (R/kg)	32 182	31 164	31 407
($/oz)	342	347	350
FINANCIAL RESULTS (R'000)			
Working revenue	12 250	12 780	54 239
Working costs	10 414	12 167	52 293
Retrenchment costs	1 674	970	7 895
Working income/(loss)	162	(357)	(5 949)
Sundry income – net	[illegible]	[illegible]	4 003
Tribute – net	723	–	558
Income/(loss) before tax and lease	2 070	448	(1 388)
Tax and lease	–	–	–
Dividend received – Chemwes	–	–	5 000
Income after tax and lease	[illegible]	448	3 612
Capital recoupment	[illegible]	987	6 118
Dividend declared	3 919	–	3 919

REMARKS
- Hedging profits of R112 000 from the forward sale of 3 884 ounces of gold are included in working revenue. As of 31 December 1992 – 11 816 ounces were hedged at an average price of R34 238 per kilogram. This position is managed on an ongoing basis.
- Final dividend No. 74 of 30 cents per share was declared.

Oryx mine

(A division of St. Helena Gold Mines Limited)

Shaft being equipped

OPERATING RESULTS	Quarter ended 31.12.1992	Quarter ended 30.9.1992	Year ended 31.12.1992
Ore milled (t)	47 000	81 000	284 000
Gold produced (kg)	[illegible]	[illegible]	315
FINANCIAL RESULTS (R'000)			
Net income before tax and lease	116	47	[illegible]
Capital expenditure	[illegible]	85 620	[illegible]

REMARK
The equipping of the subvertical main shaft has progressed to between 15 and 16 Level station.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Yield improves

Issued capital – 16 000 000 shares of 65 cents each.

OPERATING RESULTS	Quarter ended 31.12.1992	Quarter ended 30.9.1992
Mined (m²)	[illegible]	29 292
Ore milled (t)	[illegible]	[illegible]
Yield (g/t)	6,7	6,0
Gold produced (kg)	661	601
Working revenue (R/kg)	32 419	32 983
Working costs (R/kg)	26 546	28 068
(R/t milled)	178,67	168,96
Working income (R/kg)	5 873	4 916
Gold price received (R/kg)	32 403	31 363
($/oz)	342	359
FINANCIAL RESULTS (R'000)		
Working revenue	21 429	19 823
Working costs	17 547	16 867
Working income	3 882	2 956
Tribute and royalty payments – net	84	40
Sundry income – net	452	743
Income before tax and lease	4 250	3 659
Tax and lease	1 822	491
Income after tax and lease	[illegible]	3 168
Capital expenditure	372	587
Dividend declared	–	2 400
DEVELOPMENT – Kimberley Reef		
Advanced (m)	1 529	1 381
Advanced on reef (m)	325	361
Sampled (m)	324	354
Channel width (cm)	37	34
Average value – gold (g/t)	24	21
(cm.g/t)	892	732

REMARKS
- Estimated capital expenditure for the next six months – R1,1 million.
- Hedging profits of R194 000 from the forward sale of 6 702 ounces of gold are included in working revenue. As of 31 December 1992 – 25 848 ounces were hedged at an average price of R34 238 per kilogram. This position is managed on an ongoing basis.
- Dilution control has further improved the yield.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Profits well up

Issued capital – 28 000 000 shares of no-par value.

OPERATING RESULTS	Quarter ended 31.12.1992	Quarter ended 30.9.1992
Mined (m²)	[illegible]	49 798
Ore milled (t)	235 000	[illegible]
Yield (g/t)	6,1	6,1
Gold produced (kg)	1 434	1 370
Working revenue (R/kg)	32 506	[illegible]
Working costs (R/kg)	27 108	[illegible]
(R/t milled)	165,42	170,84
Working income (R/kg)	5 398	3 183
Gold price received (R/kg)	32 506	31 092
($/oz)	344	349
FINANCIAL RESULTS (R'000)		
Working revenue	46 613	42 629
Working costs	37 680	38 268
Retrenchment costs	[illegible]	–
Working income	7 740	4 361
Sundry income – net	[illegible]	[illegible]
Milling fee and royalty payments	1 473	1 608
Income before tax and lease	[illegible]	4 235
Tax and lease	990	923
Income after tax and lease	5 795	3 312
Capital expenditure	1 722	955
Dividend declared	–	2 800

DEVELOPMENT	Quarter ended 31.12.1992 Basal Reef	Quarter ended 31.12.1992 Middle Reef	Quarter ended 31.12.1992 Leader Reef	Quarter ended 30.9.1992 Basal Reef	Quarter ended 30.9.1992 Middle Reef
Advanced (m)	3 319	32	178	3 174	43
Advanced on reef (m)	[illegible]	32	132	308	34
Sampled (m)	418	28	[illegible]	287	33
Channel width (cm)	85	137	196	116	103
Average value – gold (g/t)	8,5	15,1	2,4	8,8	14,4
(cm.g/t)	725	2 062	461	1 025	1 488

REMARKS
- Estimated capital expenditure for the next six months – R3,6 million.
- Hedging profits of R421 000 from the forward sale of 14 542 ounces of gold are included in working revenue. As of 31 December 1992 – 52 558 ounces were hedged at an average price of R34 238 per kilogram. This position is managed on an ongoing basis.

WINKELHAAK Mines Limited

Company Registration No. [illegible]

Development rate increased

Issued capital – 12 180 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1992	Quarter ended 30.9.1992
Mined (m²)	111 508	120 177
Ore milled (t)	[illegible]	[illegible]
Yield (g/t)	6,5	6,3
Gold produced (kg)	3 010	3 027
Working revenue (R/kg)	32 172	[illegible]
Working costs (R/kg)	28 006	[illegible]
(R/t milled)	182,07	173,95
Working income (R/kg)	4 166	4 737
Gold price received (R/kg)	32 171	31 551
($/oz)	341	359
FINANCIAL RESULTS (R'000)		
Working revenue	96 839	[illegible]
Working costs	84 297	83 495
Working income	12 542	14 338
Sundry income – net	1 839	[illegible]
Tribute and royalty payments – net	–	85
Income before tax and lease	14 272	[illegible]
Tax and lease	878	4 461
Income after tax and lease	13 493	[illegible]
Capital appropriation	7 926	13 114
Dividend declared	–	6 090
DEVELOPMENT – Kimberley Reef		
Advanced (m)	[illegible]	6 083
Advanced on reef (m)	2 116	1 484
Sampled (m)	2 121	1 512
Channel width (cm)	117	125
Average value – gold (g/t)	11,6	16,5
(cm.g/t)	1 346	[illegible]

REMARKS
- Estimated capital expenditure for the next six months – R18,0 million.
- Hedging profits of R481 000 from the forward sale of 16 718 ounces of gold are included in working revenue. As of 31 December 1992 – 140 408 ounces were hedged at an average price of R34 238 per kilogram. This position is managed on an ongoing basis.
- The gold loan of R48,1 million was repaid during the quarter.
- An amount of R7,7 million from an insurance claim was included in sundry income in the previous quarter.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 06/33834/06

Development rate increased

Issued capital – 11 000 000 ordinary shares of R1 each.
– 15 289 000 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 31.12.92	Quarter ended 30.9.92	6 months ended 31.12.1992
Gold			
Mined (m²)	99 449	92 382	191 831
Ore milled – underground (t)	429 000	425 000	854 000
– surface dumps (t)	99 000	102 000	201 000
– total (t)	528 000	527 000	1 055 000
Yield – underground (g/t)	7,5	7,5	7,5
– surface dumps (g/t)	0,9	1,0	1,0
– combined (g/t)	6,3	6,3	6,3
Gold produced (kg)	3 310	3 302	6 612
Working revenue (R/kg)	32 290	31 443	31 867
Working costs (R/kg)	29 036	28 650	28 843
(R/t milled)	182,02	179,51	180,77
Working income (R/kg)	3 254	2 793	3 024
Gold price received (R/kg)	32 290	31 410	31 850
($/oz)	341	350	346
FINANCIAL RESULTS (R'000)			
Gold – Working revenue	106 879	103 827	210 706
– Working costs	94 828	94 603	189 431
– Retrenchment costs	1 280	–	1 280
– Working income	10 771	9 224	19 995
Uranium – Working income/(loss)	(53)	810	757
Sundry income – net	2 557	2 782	5 339
Tribute payments – net	1 531	1 163	2 684
Income before tax and lease	11 744	11 663	23 407
Tax and lease	3 781	2 453	6 234
Share of income – Beatrix mine	1 333	952	2 285
Income after tax and lease	9 296	10 162	19 458
Capital expenditure	582	257	839
Dividends declared – ordinary shares	16 500	–	16 500
– preference shares	7 000	5 000	12 000
DEVELOPMENT – Vaal Reef & "C" Reef			
Advanced (m)	4 062	3 704	7 766
Advanced on reef (m)	461	407	868
Sampled (m)	450	398	848
Channel width (cm)	96	98	97
Average value – gold (g/t)	24,1	18,5	21,5
(cm.g/t)	1 844	1 818	1 895

REMARKS
- Estimated capital expenditure for the next six months – R3,2 million.
- Hedging profits of R972 000 from the forward sale of 33 567 ounces of gold are included in working revenue. As of 31 December 1992 – 152 989 ounces were hedged at an average price of R34 238 per kilogram. This position is managed on an ongoing basis.
- Interim dividends No. 71 of 150 cents per ordinary share and No. 23 of R7 million in respect of the cumulative preference shares have been declared.

KINROSS Mines Limited

Company Registration No. 83/06226/06

Development values improve

Issued capital – 18 000 000 stock units of R1 each.

OPERATING RESULTS	Quarter ended 31.12.1992	Quarter ended 30.9.1992
Mined (m²)	104 396	103 300
Ore milled (t)	482 000	483 000
Yield (g/t)	6,7	6,7
Gold produced (kg)	3 230	3 236
Working revenue (R/kg)	32 376	31 658
Working costs (R/kg)	24 275	23 974
(R/t milled)	162,67	160,62
Working income (R/kg)	8 101	7 684
Gold price received (R/kg)	32 310	31 417
($/oz)	348	363
FINANCIAL RESULTS (R'000)		
Working revenue	104 573	102 446
Working costs	78 407	77 581
Working income	26 166	24 865
Sundry income – net	2 659	3 916
Tribute and royalty payments – net	145	597
Income before tax and lease	28 680	28 184
Tax and lease	9 372	7 942
Income after tax and lease	19 308	20 242
Capital expenditure	8 486	7 686
Dividend declared	–	23 400
DEVELOPMENT – Kimberley Reef		
Advanced (m)	4 994	4 260
Advanced on reef (m)	981	947
Sampled (m)	986	939
Channel width (cm)	46,0	30,5
Average value – gold (g/t)	22,8	25,0
(cm.g/t)	1 049	763

REMARKS
- Estimated capital expenditure for the next six months – R13,8 million.
- Hedging profits of R949 000 from the forward sale of 32 758 ounces of gold are included in working revenue. As of 31 December 1992 – 139 771 ounces were hedged at an average price of R34 238 per kilogram. This position is managed on an ongoing basis.

NOTES

1. On 20 January 1993 dividends were declared by certain of the abovementioned companies, payable to members registered at the close of business on 5 February 1993.

   The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 2 March 1993, or the first day thereafter on which a rate of exchange is available.

   Dividend warrants will be posted on 12 March 1993.

   In the case of non-resident shareholders, the applicable taxation will be deducted.

   The full conditions of payment may be inspected at or obtained from the registered office.

2. Development values represent actual results of sampling. No allowance has been made for any adjustments which may be necessary when estimating ore reserves.

3. All financial figures are unaudited.

By order of the respective boards
General Mining, Metals and Minerals Limited
Secretaries
per: D J D Ross
Manager: Administration and Secretarial Services

Johannesburg, 20 January 1993

GENMIN GROUP

Transfer offices
South Africa:
Central Registrars Limited
154 Market Street, Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

United Kingdom:
Barclays Registrars
[illegible]
34 Beckenham Road
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Kent BR3 4TU

Registered and head office
General Mining Building
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Johannesburg 2001
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Copies available from London Office

Matthew Clark rises 9% in difficult market

By Philip Rawstorne

MATTHEW CLARK, the British wines and mineral water producer, lifted first half pre-tax profits 9 per cent to £2.42m in "a recessionary trading environment."

Earnings per share for the six months to October 31 improved slightly from 16.4p to 16.5p and the interim dividend is raised from 6.5p to 6.75p.

Operating profit increased 21 per cent to £2.45m on turnover which declined 2 per cent from £27.65m to £26.06m.

Sales of Strathmore Spring water, which the company acquired in May last year, rose 23 per cent in a market which remained static during the latter part of 1992, said Mr Peter Aikens, chief executive.

"Whilst we are confident that the UK market for bottled water will resume growth as the economy improves, competition in the sector will remain intense," Mr Aikens added. "We intend to build demand for Strathmore Spring Water with substantially increased levels of marketing expenditure."

Old England British sherry retained brand leadership in a market which grew 4 per cent compared with a 6 per cent decline in Spanish sherry sales. The company increased market share in spite of the inroads into brand sales by private label business. Stone's Original Ginger Wine performed well.

The company is investing £3m in its Barchester Winery, which should improve quality, increase efficiency and provide better facilities for product development, Mr Aikens said.

Cost reductions had been made in most areas of the business, particularly production and distribution.

Mr Aikens said Christmas trading had ended satisfactorily after a slow start. "We expect our core British wine business to perform rather better than the overall wines and spirits market for the rest of this financial year but we envisage continued pressure on margins. Strathmore should outperform the market as recent listings by multiple retailers and wholesalers translate into sales."

Restructuring benefits push up Electron

By Paul Taylor

ELECTRON HOUSE, the Reigate-based distributor of electronic components which has undergone substantial restructuring in the last few years, yesterday reported a 44 per cent gain in interim pre-tax profits and is raising the dividend.

Helped by higher sales and operating profits from continuing operations, and lower interest costs, pre-tax profits rose from £595,000 to £854,000 in the six months ended November 30 1992.

Earnings per share grew to 1.68p (1.03p) and the interim dividend is being increased by 5 per cent to 1.05p (1p) per share.

Sales from continuing operations increased by 24 per cent to £35.9m (£29m) and generated £1.42m (£815,000) of operating profits. Discontinued operations added sales of £10.6m (£31.1m) and operating profits of £162,000 (£948,000).

Mr Robert Leigh, chairman, said the results provided further evidence of the benefits of the restructuring and were "particularly encouraging" given the prolonged depressed economic conditions.

He said: "These results demonstrate that we continue to increase market share while maintaining tight control of overheads. Every sector of the group increased its sales and profits in local currency over the same period last year." He said six of the group's remaining eight companies improved their operating profit margins.

Although the UK market for electronic components grew by about 4 per cent in 1992, with flat demand for passive and electro-mechanical components and a 6 per cent increase in semiconductors, Electron captured market share as component sales grew by 18 per cent.

Component companies in Australia and New Zealand also performed well, although results in the first quarter were depressed in sterling terms by the weakness of the Australian dollar.

Electron's two remaining systems companies, which both hold strong positions in niche markets, also increased sales although profit growth lagged expectations.

The group completed the sale of its high volume, low margin Bytech computer wholesaling business in August. The purchaser paid £5m for £4m of net assets and assumed over £5m of bank borrowings.

As a result, Mr Leigh said the group's borrowings had fallen to just under £4m and gearing had been cut from more than 110 per cent at the end of May to between 30 and 40 per cent. Interest costs in the first six months fell to £732,000 (£1.17m).

Under new accounting rules the group recorded a £148,000 extraordinary item in the first half. That reflected the difference between the £750,000 remaining goodwill previously written off to reserves on the acquisition of the computer wholesaling group and the £602,000 profit after costs and tax on its disposal.

Wolverhampton warns of fall in beer sales

By Philip Rawstorne

A 3 PER CENT decline in overall beer consumption this year was forecast yesterday by Mr David Thompson, managing director of Wolverhampton & Dudley Breweries.

The fall in sales through pubs would be steeper, he said at the company's annual meeting – "that means there will continue to be many pub closures across the country."

Mr Thompson told shareholders that although the state of the economy was a drag on beer consumption, the main impact on the business was now coming from the decline in the numbers of 18 to 25 year-olds.

"Per head, this group spends both more money and more time in pubs than any other section of the population; thus the decline of this group will have a disproportionate effect on overall consumption and on drinking in pubs in particular."

National brewers, recovering from reorganisation, would pose a greater competitive threat. "Profit margins in the free trade and take-home sectors will be under pressure throughout the year," Mr Thompson said. "1993 will be tough."

CIA to sign Italian equity-linking deal

By Gary Mead, Marketing Correspondent

CIA GROUP, the USM-quoted London-based media buying and planning group, plans to sign by March an equity-linking deal with the privately-owned Italian media company Medianetwork, joining the two for the purposes of pan-European media buying.

CIA intends to issue shares to cover the deal. The initial consideration, worth about £3m, will give shareholders of Blufin, parent of Medianetwork, about 10 per cent of the enlarged share capital of CIA.

That stake could increase to a maximum of 18 per cent, depending on the future profitability of Blufin.

Under the agreed terms, Blufin shareholders must keep the shares for a minimum of 2 years; thereafter it will be allowed to sell 20 per cent of its holdings a year.

CIA already works informally with other media-buying companies in Europe; this is its first equity-linking deal. CIA's subsidiary, CIA International, was specifically set up to handle accounts of multi-national clients, such as Nike, Shell, Dunhill and Wrigleys.

CIA International now does all Nike's pan-European media buying. Nike has increased its business with CIA to billings of £40m this year.

Blufin's pre-tax profits for the year ended December 31 1992 are expected to be in the region of L1.5bn (£660,000). Analysts are forecasting a 22 per cent rise in CIA's 1992 pre-tax profits to £3.5m, with turnover increased 30 per cent. Earnings per share are expected to grow 13 per cent to 15.34p. CIA currently has cash reserves of about £10m.

Dumas placing proposals as losses increase

By Jean Marshall

DUMAS Group, the USM-quoted food manufacturer which requested the suspension of its shares last July pending financial clarification, has announced proposals for a placing to raise up to £2m and a reorganisation and reduction of capital.

The company also reported a pre-tax loss of £970,000 for the year to January 31 1992 against profits of £34,000 and further losses of £847,000 (£162,000) in the six months to July 1992.

The directors propose to subdivide each existing 10p ordinary share into one share of 2p and one deferred share of 8p. They propose to cancel the deferred shares and reduce the share premium account to eliminate the deficit on the profit and loss account.

The plans also include a placing of 938,750 cumulative redeemable 6 per cent preference shares of £1 each at par and of up to 22.22m new ordinary 2p shares at 5p.

A change of name to John Lusty Group will also be put to shareholders.

On completion of the share issues, Mr Arne Bergbrant will stand down as chief executive but will continue as non-executive chairman. A number of other management changes will also take place.

Mr Bergbrant said that despite the disappointing results he was convinced that following the proposed refinancing the company would be in a position to capitalise on its potential.

Losses per share for the year to January amounted to 15.34p (0.34p earnings) while for the six months period losses were 7.29p (3.71p).

COMPANY NEWS IN BRIEF

COOKSON GROUP, the industrial materials group in the midst of restructuring, has agreed in principle, to sell two US subsidiaries – Monmouth Plastics and Texapol Corporation – to MA Hanna Company, the international speciality polymers company. Combined net assets of the two companies were $10.5m (£6.9m) at the end of 1991.

CUSSINS Property Group is to sell its interest in the Denmark Centre in South Shields, Tyne & Wear, for £2.9m cash. The proceeds will be used to reduce group borrowings.

GOODHEAD Group, via its subsidiary Goodhead Direct, has sold for £137,000 the Readers Offers business to Notsallow Forty-Four.

NO PROBE: Ecclesiastical Insurance Office's proposed acquisition of shares not already owned in St Andrew Trust is not to be referred to the Monopolies and Mergers Commission.

PEEK, the multinational traffic and field data systems concern, has sold Computer Instruments Corporation to its US management for a price equal to its net assets of $1.21m (£775,000).

SHANKS & McEWAN, waste management company, has acquired Land Fill Gas for £480,000 in cash. LFG, through a joint venture with a Norweb subsidiary, specialises in the generation of electricity from landfill gas.

SINCLAIR (William) Holdings has paid a deferred consideration of £633,684 to the vendors of Secto Company, which Sinclair acquired for an initial £5m in April 1992. A further £135,000 will be paid in September for the year to June. There is no further consideration.

COMMODITIES AND AGRICULTURE

North Sea oil dips below $17

By Deborah Hargreaves

NORTH SEA oil prices dipped below $17 per barrel for the first time in a week yesterday following a sharp drop in the New York market on Tuesday night. London and New York prices were depressed yesterday with North Sea Brent crude prices for March delivery touching $16.95 a barrel.

The March futures contract on the New York Mercantile Exchange fell by 19 cents to $18.51 per barrel in mid-day trading.

The fall of more than 50 cents a barrel in the New York futures market on Tuesday night followed the release of a weekly report on oil stocks by the American Petroleum Institute. The API reported a rise in crude stocks of 7.8m barrels in the previous week, with gasoline inventories increasing by 6m barrels.

The stock figures unnerved the market as they came out higher than analysts' expectations. Crude oil stocks rose as imports continued to build up at Gulf of Mexico terminals, but demand remained sluggish and US refineries cut their production runs to just under 85 per cent capacity utilisation.

Another factor that sent prices falling was the ceasefire mooted by Saddam Hussein, Iraq's leader, on Tuesday. Crude prices have increased slightly on the back of tension in the Middle East even though Iraq does not export oil at present.

In the North Sea, the Sullom Voe loading terminal remained closed because of high winds. Storage tanks at the terminal and at Chevron's Ninian platform are almost full, meaning production could be cut. These problems have had little effect on the oil price.

The oil products market is still extremely weak as the weather remains mild in Europe and North America, depressing demand. Gas oil prices moved $2 a tonne lower on the Rotterdam market yesterday to $156 a tonne.

The crude market remains over-supplied with oil as demand is low and traders are still looking to the Organisation of Petroleum Exporting Countries for leadership in cutting output.

"Clearly for this market to turn around, we've got to get something out of Opec and not just pledges, but action," said Mr Andrew LeBow at E.D. & F. Man, the international trading house, in New York.

Industry urges CIS aluminium quota

By Kenneth Gooding, Mining Correspondent

THE EUROPEAN aluminium industry is appealing to national governments for stringent quotas to be imposed on aluminium imports from the Commonwealth of Independent States. The industry says it operates at a loss and its viability is "seriously endangered".

Producers in France, Germany, Italy, Spain and the UK want their governments to press the European Commission to restrict CIS aluminium imports to the European Community to 82,000 tonnes a year, compared with the estimated 600,000 tonnes that flooded the EC in 1992 and 450,000 tonnes the previous year.

"If this problem is not dealt with very quickly it will solve itself – all the European smelters will have closed down," said one industry official yesterday.

The producers say 82,000 tonnes was the average annual tonnage imported to all western markets during the last three "normal" years before the "dramatic and unexpected increase in aluminium exports from the former Soviet Union since 1990".

They want quotas to cover new and secondary (scrap) aluminium to close a loophole being used by some traders who export new metal from the CIS but call it "scrap". Producers say this competes directly with new metal.

In documents presented to governments, they say that, because the EC is the closest large consuming area to the CIS, it is bearing the brunt of aluminium exports from that region. Those exports were recently estimated by the CIS industry to have reached more than 1.2m tonnes last year.

The European producers suggest CIS imports have depressed aluminium prices on the London Metal Exchange – the most widely-used guide to world prices – and forced the European industry to make costly production cuts.

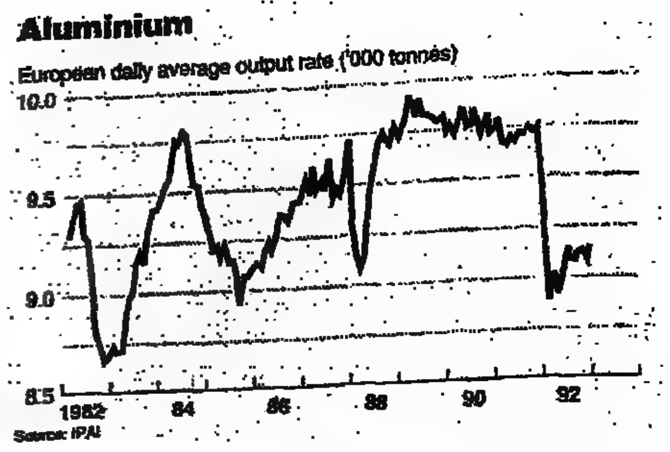
Europe accounts for about 25 per cent of world aluminium supply but 80 per cent of the 1.1m tonnes of capacity has been shut down, either temporarily or permanently, because of low prices in the region. Earlier this week Alusuisse-Lonza announced the permanent closure of its smelter in the Valais canton of Switzerland, while Inespal said it was discussing with its unions substantial permanent output cuts at two smelters in Spain.

The European producers complain of "the total lack of official statistics or reliable information regarding the activities of the former Soviet aluminium industry" and say "the disorganisation of the CIS exporting structures is further aggravating the situation".

They suggest quotas should stay in place until the CIS stimulates a revival of its domestic market and/or adjusts its sales and pricing policies "to market economy rules and mechanisms".

Aluminium

European daily average output rate ('000 tonnes)



Source: IPAI

SA platinum mine opens to chorus of dissent amid static prices

By Philip Gawith in Johannesburg

SOUTH AFRICA'S Northam platinum mine opens today against the background of a static platinum price and considerable dissension among local analysts as to the merits of the project.

Disagreement centres around what sort of grades the mine will produce, whether or not it is a high cost producer and the timing of the opening.

Although the mine will not be a particularly large producer – between 230,000 and 250,000 troy ounces a year at full production, about 6 per cent of world supply – its progress is being keenly watched. Not only does it represent the first venture into platinum for Gold Fields of South Africa, but recent attempts to expand platinum capacity in South Africa have met with mixed fortunes.

Although Rustenburg, Impala and Lonhro, the three main producers, have all increased capacity in recent years, the weak state of the market has caused Impala to defer development of the Messina and Barplats projects, and Lebowa Platinum has also encountered problems with the expansion of its Atok mine.

Critics of Northam, like Mr Kevin Kartun of stockbrokers Frankel Pollak Vinderine, cite four main concerns: that the mine is unequivocally a high cost producer and therefore vulnerable in any price squeeze; that ore reserves below 2,000 metres may not be accessible because of heat problems, shortening the mine's life; that considerable gambles are being taken with various new technologies; and that the grades claimed by the company are excessively optimistic.

Mr Dave Russell of brokers Irish & Menell Rosenberg takes a more optimistic view. He argues that the planning and design of the mine has been methodical and well proven, and that the predicted grades make the mine a medium-cost rather than high-cost producer. He is also confident the company has the requisite technical expertise to deal with any mining problems that might arise.

Although a platinum price of $360 an ounce is probably considerably lower than that envisaged when the mine was conceived in the mid-1980s, Mr Jeremy Coombes of Johnson Matthey says the rationale behind its development is still valid. Although much of the increased autocatalyst demand the mine sought to cash in on has already taken place, widespread and stringent emissions legislation should ensure this market continues to grow.

Mr Coombes says the supply/demand situation for platinum in 1993 looks balanced. He predicts more metal from South Africa – Rustenburg has completed the Amandebult expansion, Impala is recovering from a severely disrupted year and Lonhro's expansion continues – but believes this will be absorbed by increased demand for exhaust catalysts from the motor industries in Europe and the America. He predicts jewellery and industrial off-take at similar levels to 1992.

Subsidy cut highlights the ups and downs of hill sheep farming

David Blackwell on how the phasing out of the Hill Livestock Compensatory Allowance will affect the Lake District

BRITAIN'S HILL sheep farmers are up in arms over the Ministry of Agriculture's decision to cut one of the mainstays of their income – the Hill Livestock Compensatory Allowance.

The National Farmers' Union has described the £2.25 reduction in HLCAs for breeding ewes to £6.50 as an arbitrary step that will inflict a crippling blow on a hard-pressed sector of the agricultural industry.

The ministry has strongly defended the move, which is part of the switch towards a uniform system of subsidies within the European Community's single market. UK hill farm incomes were up 66 per cent in 1991-92, and were expected to rise further this year, said one official. The ministry is forecasting an average cash income of £18,600 for hill sheep farmers in 1992-93, compared with £10,900 in 1990-91.

At an angry meeting at the Newfield Inn, Seathwaite, in the Duddon Valley earlier this month, Lake District hill farmers argued that while incomes were up, they had risen from a very low base. "What's 66 per cent of nothing? 1991 was about the worst year – we have certainly not got back to 1984 figures," one said.

Hill farmers fear the move will hasten their slide down the slippery slope to bankruptcy

Hill sheep farms rely heavily on subsidies, and the HLCA system – funded 25 per cent by the EC and 75 per cent by the UK government – was designed specifically to keep people farming on the hills. Government statistics show that fewer people are leaving the hills than are leaving agriculture in other parts of the country – but hill farmers question whether this will remain the case.

Farmers are notoriously tight-lipped about their accounts. But Mr Maurice Hall, who runs nearly 1,300 sheep at Stowgill Farm, near Kaber in Cumbria, was willing to open his books to show the effect of the cut. His total income per ewe in 1992 was £41.24, made up as follows: HLCA £8.75, sheep annual premium (the EC support) £18.79, sale of lambs £10 and sale of ewes £3.70. Both the last two payments are averaged out per ewe.

He does not include wool sales in the accounts, as the amount received merely covers the cost of shearing.

Variable costs per ewe, including feed, veterinary charges and over-wintering costs came to £14.90, leaving a gross margin of £26.35 per ewe. He has set the farm up as a company with a partner, and last year paid himself a wage of £6,000. Total fixed costs are roughly £20 a ewe, leaving £6.50... "out of which I have to pay the mortgage".

The cut in this year's HLCA will take nearly £3,000 off the budgeted income that he presented to his bank last September. He admitted that some of this would be made up by increases in the sheep annual premium, but he felt that the Government action suggested that if the hill farmers reached profitability, the money would be cut.

"I have made no money for reinvestment in the last three years," he said. "I have not bought anything – not even second hand."

The ministry believes the hill farmers have not yet fully grasped the increased benefits that will be coming their way through the EC sheep annual premium, which one official said would give a gross margin of £30 per ewe. The increases follow sterling's depreciation after its withdrawal from the Exchange Rate Mechanism in September.

Before last September the sheep annual premium was £14.61, plus a £4.37 supplement for less favoured areas (LFAs) – a category which covers most of the upland farming land in the UK. Since then the payments have risen to £17.25 and £5.78 respectively, a total increase of £4.05 – which more than offsets the cut in HLCAs. Premium payments are limited to the number of sheep being kept on each farm in 1991.

Mr John Gummer, the agriculture minister, told Devon NFU earlier this month, that the higher annual premiums and increased LFA supplement, together with the rise in hill farm incomes last year, were worth an estimated £80m to £90m while the cut in HLCAs would take back only £20m.

The increase in sheep annual premium has failed to impress the Lake District hill farmers, however. In the Penrith area a petition protesting against the HLCA cuts has been signed by nearly 800 local people and 30 farmers will be bringing it to the Houses of Parliament next week to join other NFU farmers from all over the country who want MPs to reverse the decision.

Mr David Ellwood, a National Trust tenant with 1,000 ewes in the Duddon valley, was one of 12 who tendered in 1988 for Baskell Farm, built in 1885, the type of farm a tourist would expect to find on National Trust property. He moved there with his wife and children from his father's farm Eskdale, where he was born and brought up but which could no longer provide them with a living.

He is puzzled that the government income statistics show hill farm incomes rising, pointing out that his lambs were selling for £13 to £14 apiece in his first year, but made only £11 in 1992.

"Even before the cuts it was hard enough to make a living here," he said. "Gummer should come up and see how we actually live in the hills."

In the Newfield Inn the farmers said it was their work that kept the Lake District attractive to tourists, who bring £290m a year into the local economy. The boost from tourists also kept the village shops going. They feared that any reduction in their income would start a vicious circle of decline, with land reverting to scrub, dry stone walls going unrepaired, shops closing and villages becoming depopulated.

"What would be the cost of maintaining the countryside if the sheep were not there?" asked one.

Former eastern bloc zinc exports more than double

By Kenneth Gooding

ZINC EXPORTS from former eastern bloc countries more than doubled last year from the 1991 level, pushing the western market into a substantial supply surplus.

Preliminary estimates by the International Lead and Zinc Study Group suggest eastern bloc net exports rose from 104,000 tonnes in 1991 to 250,000 tonnes. There was a steep increase from Kazakhstan where western producers, attracted by low costs, sent zinc concentrate (an intermediate product) for refining. There was also a sharp rise in Polish exports.

Zinc mine output in the west hardly changed from the 1991 level at 5.58m tonnes last year. Refined metal production was 0.7 per cent down at 5.35m tonnes while zinc consumption slipped 0.8 per cent to 5.36m tonnes. Increased imports took the supply surplus up from 86,000 to 238,000 tonnes.

The surplus is highly visible because much of the metal is in London Metal Exchange stocks, which reached 500,000 tonnes for the first time.

WORLD COMMODITIES PRICES

MARKET REPORT

Robusta COFFEE futures yesterday resumed the downtrend that had been interrupted on Tuesday, with the March position at the London Futures and Options Exchange ending the day $58 down at $910 a tonne. The trend was again set in the New York market, where investment fund selling pushed prices through successively lower support levels. "There's a lot of extra fund money out there... which is why we're getting the violent movements we haven't seen since the 1980s," one trader said. COCOA prices were also weaker, on trade profit-taking and light producer selling, and the May position closed at $732 a tonne, down $4. Trading remained quiet at the London Metal Exchange, where the strongest performance was the cash TIN price's $49 rise to $5,940 a tonne. That was the fifth successive daily gain and took the rise over the past week to more than $110 a tonne. Dealers attributed the continued rise chiefly to technical considerations. ALUMINIUM prices weakened further under speculative selling pressure.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Mar)		+ or -
Dubai	$14.80-4.85	-0.15
Brent Blend (dated)	$16.65-6.75	-0.25
Brent Blend (Mar)	$17.05-7.10	-.175
W.T.I. (1 pm est)	$18.60-8.65	-.125
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$181-183	-2
Gas Oil	$166-168	-1.5
Heavy Fuel Oil	$69-70	-2
Naphtha	$175-177	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$329.65	+0.3
Silver (per troy oz)♣	[illegible]c	
Platinum (per troy oz)	$357.75	-0.9
Palladium (per troy oz)	$108.50	-1.25
Copper (US Producer)	106.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.95r	+0.08
Tin (New York)	275.0c	+2.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	115.61p	-1.53*
Sheep (live weight)†♠	84.83p	-3.58*
Pigs (live weight)†	80.60p	+0.80*
London daily sugar (raw)	$217.1	+1.4
London daily sugar (white)	$256.0	
Tate and Lyle export price	£249.0	+1
Barley (English feed)	£135.5u	
Maize (US No. 3 yellow)	£161.75	+0.75
Wheat (US Dark Northern)	Unq	
Rubber (Feb)♥	64.25p	-0.25
Rubber (Mar)♥	64.75p	-0.25
Rubber (KL RSS No 1 Feb)	238.5m	+1.5
Coconut oil (Philippines)§	$450.0y	-5
Palm Oil (Malaysian)§	$410.0z	+2.5
Copra (Philippines)§	$275	
Soyabeans (US)	£173	-1
Cotton "A" Index	58.35c	
Wooltops (64s Super)	388p	

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb x-Aug.w-Dec/Jan. z-Jan/Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♠Sheep prices are now live weight prices * change from a week ago. provisional prices

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Mar	190.00	191.00	189.40	189.00
Aug	195.00	194.00	194.00	
White	Close	Previous	High/Low	
Mar	253.60	251.50	253.50	251.50
May	255.00	252.60	255.00	252.50
Aug	258.70	256.60	256.10	256.60
Oct	244.50	242.30	244.60	241.30

Turnover: Raw 25 (51) lots of 50 tonnes. White 2540 (1675) Paris- White (FFr per tonne): Mar 1391.71 May 1410.10

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Mar	17.08	17.19	17.10	16.87
Apr	17.23	17.36	17.25	17.07
May	17.42	17.52	17.42	17.25
Jun	17.55	17.64	17.56	17.40
Jul	17.67	17.77	17.67	17.53
Aug	17.73	17.83	17.75	17.63
Sep	17.82	17.89	17.82	17.65
Oct	17.86		17.86	17.82
IPE Index	17.28	17.61		

Turnover 26000 (29165)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Feb	161.75	163.50	162.00	160.25
Mar	161.50	164.00	162.00	160.50
Apr	161.25	163.25	161.60	160.25
May	162.00	163.75	162.50	161.25
Jun	162.50	164.25	163.50	162.00
Jul	164.75	166.25	165.00	163.50
Sep	169.75	170.50	169.00	168.00
Oct	171.75	172.75	170.75	

Turnover 18077 (9193) lots of 100 tonnes

WOOL

The Australian market picked up fractionally at the end of last week and has moved a little higher again so far this week. The Wool Corporation's market indicator, which ended before Christmas at 509c, slipped to 500 before recovering on January 20 to 509c again. These tiny changes were accompanied by an improved clearance to the trade, with only 7% passed in on January 20 compared with 25% on the uncertain first day. It is difficult to find any response in the amount of trade processing and manufacturing sectors around the world.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	722	724	727	720
May	732	736	739	731
Jul	743	749	751	743
Sep	758	761	762	758
Dec	774	778	781	773
Mar	796	800	802	795
May	809	814	813	809
Jul	823	827	827	823

Turnover: 6266 (10693) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 19 782.23 (782.70) 10 day average for Jan 19 756.88 (753.15)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jan	923	973	950	918
Mar	910	968	943	907
May	901	949	930	900
Jul	893	940	943	925
Sep	904	948	924	903
Nov	913	953	931	920

Turnover:8832 (2267) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 19: Comp. daily 58.86 (59.79) 15 day average 61.13 (61.80)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	63.0	62.0	63.0	62.0
May	73.0	71.3	72.9	71.5

Turnover 20 (36) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Apr	151.50	151.80	

Turnover 0 (210) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jan	1240	1240	1245	1240
Feb	1245	1239	1250	1240
Mar	1256	1250	1256	1256
Apr	1260	1250	1260	1256
Oct	1330		1330	1330
BFI	1264	1272		

Turnover 84 (229)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Jan	137.50	137.35	137.70	137.50
Mar	138.50	138.00	138.50	138.30
May	140.15	139.75	140.35	140.15
Sep	108.50	108.75	108.50	108.50
Nov	111.15	111.00	111.25	111.15
Barley	Close	Previous	High/Low	
Mar	133.35	133.00	133.35	133.25
May	134.75	134.35	134.75	

Turnover: Wheat 217 (414). Barley 26 (119). Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Jan	105.0	104.0	104.0
Mar	104.5	104.5	104.0

Turnover:9 (27) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 32,244 lots
Cash	1201.5-02.5	1212-13	1204.5	1204-04.5		
3 months	1223-23.5	1234-35	1231.5/1219.5	1225-25.5	1220-21	166,914 lots
Copper, Grade A (£ per tonne)						Total daily turnover 28,909 lots
Cash	1437-38	1427.5-28.5	1432/1431	1432-32.5		
3 months	1457-57.5	1447-48	1460/1450.5	1452-52.5	1454-55	182,738 lots
Lead (£ per tonne)						Total daily turnover 2,415 lots
Cash	279.5-80.5	277.5-78.5	278	278-78.5		
3 months	290-90.5	288-89	289/288.5	288.5-89	292-93	18,255 lots
Nickel ($ per tonne)						Total daily turnover 7,917 lots
Cash	5840-50	5795-805	5805/5800	5803-05		
3 months	5905-10	5860-70	5930/5945	5865-70	5930-35	40,460 lots
Tin ($ per tonne)						Total daily turnover 1,684 lots
Cash	5935-45	5890-92	5915	5915-20		
3 months	5995-6000	5950-55	6010/5980	5970-75	6005-10	8,237 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,751 lots
Cash	1055.5-56.5	1060-62		1053-53.5		
3 months	1074-74.5	1079-80	1079/1071	1071-72	1071-72	65,451 lots

LME Closing £/$ rate: SPOT: 1.5410 3 months: 1.5275 6 months: 1.5165 9 months: 1.5076

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	328.40-328.70	
Opening	328.80-329.20	
Morning fix	328.55	211.750
Afternoon fix	329.00	213.193
Day's high	328.50-329.80	
Day's low	328.60-328.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	0.75	6 months	1.65
2 months	0.90	12 months	2.02
3 months	1.14		

Silver fix	p/troy oz	US cts equiv
Spot	238.80	368.50
3 months	242.70	371.20
6 months	240.40	374.25
12 months	254.05	381.85

GOLD COINS	$ price	£ equivalent
Krugerrand	328.00-331.00	211.00-213.00
Maple leaf	338.85-341.15	
New Sovereign	78.00-81.00	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Feb	May	Feb	May
1200	34	66	18	27
1225	21	51	30	37
1250	12	39	46	46
Copper (Grade A)	**Calls**		**Puts**	
2200	55	83	31	62
2250	33	59	56	83
2300	17	40	90	113
Coffee	**Mar**	**May**	**Mar**	**May**
950	2	29	42	78
1000	1	17	84	116
1050	1	10	131	159
Cocoa	**Mar**	**May**	**Mar**	**May**
650	74	80	1	1
675	51	70	4	13
700	35	53	10	20
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1700	35	63	40	51
1750	20	42	70	80
1800	10	28	100	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jan	328.9	328.6	0	0
Feb	329.8	328.6	330.4	328.2
Mar	330.3	329.1	0	0
Apr	330.8	329.6	331.3	329.2
Jun	331.8	330.7	332.6	330.4
Aug	333.3	332.1	333.3	332.0
Oct	334.7	333.5	0	0
Dec	336.2	335.0	336.5	335.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	357.5	360.4	0	0
Apr	363.6	357.4	364.9	358.5
Jul	361.1	354.9	361.0	355.0
Oct	359.6	353.4	0	0
Jan	358.4	352.2	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jan	372.4	367.0	0	0
Feb	373.0	368.5	0	0
Mar	373.8	369.3	376.0	366.6
May	376.4	371.8	378.5	369.5
Jul	378.8	374.2	380.5	372.0
Sep	381.4	376.8	378.0	375.0
Dec	385.5	380.9	387.0	379.5
Jan	386.5	381.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	98.20	98.45	98.85	98.20
Feb	98.55	98.85	99.15	99.15
Mar	98.35	99.20	99.65	98.90
Apr	99.15	99.40	99.65	99.60
May	99.35	99.55	100.00	99.30
Jun	99.50	99.65	100.00	100.00
Jul	99.65	99.75	100.25	99.98
Aug	99.80	99.95	0	0
Sep	99.95	100.10	100.40	100.30

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Feb	18.50	18.58	18.51	18.25
Mar	18.66	18.70	18.97	18.42
Apr	18.80	18.83	18.81	18.60
May	18.98	18.97	18.96	18.78
Jun	19.10	19.10	19.11	18.91
Jul	19.19	19.18	19.19	19.02
Aug	19.26	19.24	19.26	19.10
Sep	19.36	19.29	19.36	19.18
Oct	19.37	19.32	19.37	19.23
Nov	19.37	19.32	19.39	19.26

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Feb	52.18	52.94	52.40	51.75
Mar	52.70	53.37	52.80	52.25
Apr	52.75	53.23	52.80	52.35
May	52.65	52.73	52.65	52.15
Jun	52.35	52.68	52.45	52.00
Jul	52.80	52.88	52.80	52.40
Aug	53.30	53.58	53.50	53.40
Sep	54.60	54.88	54.85	54.40
Oct	55.50	55.58	55.70	55.50
Nov	56.60	56.43	56.60	56.35

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	1008	1008	1012	997
May	1029	1030	1033	1019
Jul	1048	1051	1054	1039
Sep	1072	1075	1075	1061
Dec	1103	1102	1101	1091
Mar	1132	1136	1131	1119
May	1157	1161	1150	1148
Jul	1179	1183	1167	1160
Sep	1198	1206	1195	1194

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	64.50	65.60	66.40	64.45
May	69.35	70.95	71.40	69.30
Jul	71.00	72.70	73.30	70.80
Sep	72.80	74.65	75.00	72.70
Dec	75.50	77.50	77.45	75.50
Mar	77.65	79.50	79.75	79.20
May	78.00	81.75	0	0

SUGAR WORLD "11" 112,000 lbs, cents/lbs				
	Close	Previous	High/Low	
Mar	8.54	8.45	8.56	8.47
May	8.73	8.63	8.74	8.64
Jul	8.77	8.71	8.79	8.72
Oct	8.73	8.67	8.75	8.68
Mar	8.78	8.74	8.82	8.80
May	8.85	8.80	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	62.40	61.65	62.60	62.02
May	62.77	62.06	63.05	62.44
Jul	63.20	62.68	63.45	62.85
Oct	62.28	61.50	62.30	62.10
Dec	61.42	60.70	61.45	61.10
Mar	62.25	61.56	62.25	62.00
May	62.80	62.15	0	0
Jul	63.40	62.60	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	84.40	82.80	84.50	83.15
May	87.40	85.80	87.45	86.10
Jul	89.40	87.10	89.40	87.90
Sep	89.85	88.55	90.50	89.30
Nov	88.00	88.90	89.50	88.50
Jan	91.30	89.05	92.40	91.00
Mar	91.30	90.05	93.75	93.75
May	91.30	90.10	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Jan.20	Jan.19	mnth ago	yr ago
1701.8	1707.6	1693.8	1593.7

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jan.19	Jan.18	mnth ago	yr ago
Spot	123.75	123.63	121.56	114.66
Futures	122.28	122.57	121.29	122.51

Chicago

SOYABEANS 5,000 bu min, cents/60lb bushel				
	Close	Previous	High/Low	
Jan	582/2	585/6	586/0	581/0
Mar	583/6	586/2	586/2	582/0
May	587/6	590/2	590/0	586/0
Jul	592/6	595/2	594/6	590/6
Aug	594/0	596/4	596/0	592/6
Sep	594/4	596/2	594/4	592/0
Nov	597/6	600/2	600/0	595/4
Jan	605/2	608/2	607/2	604/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jan	21.46	21.80	21.62	21.36
Mar	21.48	21.77	21.76	21.52
May	21.71	22.00	21.96	21.77
Jul	21.91	22.21	22.16	21.98
Aug	21.96	22.26	22.16	22.05
Sep	22.02	22.28	22.17	22.08
Oct	22.04	22.25	22.17	22.05
Dec	22.08	22.35	22.26	22.12

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jan	186.2	186.7	186.7	185.8
Mar	185.0	185.2	185.4	184.1
May	184.5	184.5	184.9	183.7
Jul	185.5	185.4	185.8	184.8
Aug	186.0	185.9	186.3	185.6
Sep	186.5	186.8	187.2	186.9
Oct	187.7	187.8	188.2	187.3
Dec	188.2	188.9	189.3	188.6

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	218/4	219/6	219/4	218/2
May	226/2	227/6	227/4	226/0
Jul	233/2	234/4	234/4	233/0
Sep	239/0	240/0	239/6	239/6
Dec	244/4	245/2	245/0	244/2
Mar	251/2	252/0	251/4	251/0
May	256/2	257/0	256/2	256/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	390/4	392/4	393/0	389/0
May	364/6	365/4	366/0	362/4
Jul	336/6	337/2	338/0	335/0
Sep	340/4	340/0	340/4	338/2
Dec	349/4	350/0	350/4	348/0
Mar	353/0	354/4	353/0	352/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	80.450	80.425	80.700	80.200
Apr	78.825	78.600	78.925	78.600
Jun	73.675	73.375	73.800	73.500
Aug	71.875	71.575	71.975	71.600
Oct	72.375	72.050	72.575	72.225
Dec	72.650	72.275	72.800	72.600
Feb	80.450	80.425	80.700	80.200

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	44.025	44.050	44.350	43.875
Apr	43.675	43.425	43.850	43.400
Jun	48.275	47.925	48.425	48.050
Jul	47.850	47.400	48.000	47.500
Aug	46.850	45.875	46.150	45.750
Oct	41.650	41.800	42.050	41.850
Dec	42.850	42.800	42.850	42.700
Feb	43.150	43.150	0	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	35.950	36.180	36.525	35.550
Mar	36.475	36.650	37.050	35.900
May	37.750	38.050	38.200	37.275
Jul	37.675	38.200	38.550	37.450
Aug	36.650	37.100	37.500	35.500

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LONDON STOCK EXCHANGE

Volatile market closes at day's high

By Steve Thompson

THE UK equity market put on one of its more bewildering performances yesterday, moving going through a 21-point range, before rising strongly late in the session.

Poor official retail sales figures for December were followed up by hopes that a faltering economic recovery could trigger a *further* cut in UK interest rates.

A relatively good showing by gilts, which ended with gains *of half* a point at the long end, was a further encouragement to the equity market.

Dealers also *took heart from* the trend in the Footsie future, which dipped below a crucial support level at 2,740 but sud*denly* reversed and raced up, taking the cash market with it and closing at a modest premium.

Worries of a sizeable rights issue hitting the market proved wide of the mark but there a *strong* conviction remained that a big cash-raising operation, possibly the first of many, was being prepared.

Share prices gave ground at the opening of business, still pressured by rights issue worries, *but quickly* recovered their initial losses in the absence of the much-rumoured cash call, helped by a small programme trade said to be weighted on the buy side.

More selling developed in mid-morning but was well absorbed by the market which moved into positive territory during the lunchtime period *before stalling* and then closing with a flourish of strong support, mostly prompted by the Footsie future.

The erratic performance of the market was illustrated by the FT-SE 100 which touched the day's low of 2,727.6, down 10 points, within two hours of the opening and closed at the day's high of 2,748.7, for a net gain of 11.1. The Footsie Mid 250 closed 4 higher at 2,889.9, having been down some 8 points in mid-morning.

After a slow start, volume in equities picked up markedly finishing at 599.3m shares, compared with Tuesday's 557m and Monday's 488m.

After dropping to £899m on Monday, the value of equity business in the market on Tuesday once again topped £1bn to reach £1.1bn.

There was widespread initial dismay at the retail sales figure for December, which showed a 0.7 per cent month-on-month decline, against forecasts of a rise of between 0.2 and 0.4 per cent.

Dealers chopped share prices *as the news appeared but the* weakness, especially in the big retailers, was short-lived after the central statistics office said overall sales for the big retailers were up seven per cent and the small retailers down five per cent.

Marks & Spencer shares, initially weakened by the news, quickly rallied and ended the day on a firm note.

Big dollar earners were *boosted by the weakness of* sterling, with SmithKline Beecham aggressively bought.

Bank shares provided two of the market's best performing FT-SE 100 stocks in Standard Chartered and Barclays, the former lifted by diminished fears of a right issue and buy recommendations from a couple of brokers, while the latter *gained ground as the dividend* debate swung in favour of those suggesting the payment will be held.

● Today's FT-Actuaries All-Share Index includes a gross dividend for HSBC Holdings instead of the net dividend previously applied. The new total dividend amount is 18.93p up from 14.2p.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	10	478	+15
ASDA Group	16,000	56	+1½
Abbey National	2,900	351½	−1½
Albert Fisher	591	59	−1
Allied-Lyons	2,100	590	−12
Amstrad	575	23½	
Anglian Water	1,100	469	−6
Argos	1,000	279	+14
Argyll Group	1,700	366	−3
Arjo Wiggins	1,400	146	
Ass. Brit. Foods	530	494	−4
Ass. Brit. Ports	27	380	
BAA	869	783	+6
BAT Inds	1,800	970	−5
BET	1,600	97	+2
BICC	387	344	−1
BOC	675	742	−6
BP	12,000	230½	+1
BPB Inds.	634	188	+2
BT	5,500	389½	+3
BT New	1,000	275	+1
[illegible]	3,700	535	
Bank of Scotland	1,800	124	+3
Barclays	8,600	397	+20
Bass	2,700	582	+3
Berisford Int.	1,300	28	−1
Blue Circle	1,500	202	−1
Booker	776	413	+4
Boots	1,400	510	+2
[illegible]	424	471	+6
Brit. Aerospace	6,200	202	+8
British Airways	3,500	267	+2
British Gas	5,300	285	+4
British Land	317	180	+2
British Steel	10,000	64½	+4½
Bunzl	801	122	+1
Burmah Castrol	328	683	
Burton	13,000	73	+2
Cable & Wire.	1,000	720	+12
Cadbury Schweppes	1,800	468	+4
Calor Group	5	289	
Carlton Comms	2,300	810	−8
Coats Viyella	1,600	214	
Comm. Union	525	618	+7
Cookson	334	197	
Courtaulds	1,900	536	−6
Dalgety	1,100	482	−4
De La Rue	85	868	
Dixons	2,600	233	+8
Eastern Elect.	368	421	+3
East Midland Elect.	482	421	+2
Eng China Clays	419	456	+5
Enterprise Oil	712	404	+1
Eurotunnel Units	326	385	
FKI	2,100	111	
Fisons	2,900	222	−2
Forte	3,000	183	+1
Gen. Accident	518	565	
General Elect	8,100	289½	+1
Glaxo	4,600	702	+1
Glynwed Int.	221	257	+3
Granada	1,900	348	+8
Grand Met.	2,100	425	−1
GUS A	612	1585	−18
GRE	2,100	184	+2
GKN	714	455	+2
Guinness	2,300	465	−2
HSBC (75p shs)	3,300	527	+5½
Hammerson 'A'	492	254	+7
Hanson	6,800	238	+1½
Hanson Warrants	1,000	25	+½
Harrisons Crosfield	1,100	654	+3
Hillsdown	2,800	146	+1
IMI	264	252	−2
ICI	659	1097	+1
Inchcape	3,700	539	−7
Kingfisher	3,500	540	−3
Kwik Save	289	794	+3
Ladbroke	1,800	183	+4
Land Securities	1,600	446	+7
Laporte	512	623	−10
Legal & General	2,000	433	+2
Lloyds Abbey	1,800	426	+14
Lloyds Bank	5,100	499	
LASMO	714	145	+1
London Elect.	131	444	+1
Lonrho	1,200	73½	−2½
Lucas	3,200	140½	−1½
MB Caradon	2,100	287	−6
MEPC	1,600	332	+1
Manweb	122	484	+5
Marks & Spencer	9,100	317	+5
Midlands Elect.	61	465	
Morrison (Wm.)	592	197	+2
NFC	5,000	287	+3
NatWest Bank	9,000	415	+10
National Power	6,200	285	−1
Next	1,600	150	+3½
North West Water	1,700	457	−7
Northern Elect.	330	475	
Northern Foods	1,200	267	
Norweb	180	480	+1
Pearson	175	358	+1
P & O	1,800	533	+13
Pilkington	4,600	101	−5
PowerGen	2,300	282	+1
Prudential	3,200	288	
[illegible]	138	567	+3
RTZ	[illegible]	645	+6
Racal	2,100	173	
Rank Org.	1,280	714	+13
Reckitt & Colman	531	630	−7
Redland	842	438	+4
Reed Intl.	2,100	622	−1
Rentokil	621	216	−1
Reuters	1,300	1354	−19
Rolls Royce	4,700	119½	+5
Rothmans	199	597	+3
Ryl Bk Scotland	4,600	214	+5
Royal Insurance	2,700	277	+5
Saatchi	152	189	−2
Sainsbury	2,600	581	+2
Scottish & New.	294	443	−1
Scot. Hydro-Elect.	1,600	236	−4
Scottish Power	1,400	219	−3
Sears	6,800	101	+1
Sedgwick	968	172	
Seeboard	385	[illegible]	+2
Severn Trent Water	1,400	446	−5
Shell Transport	5,700	518	+½
Siebe	1,500	438	−5
Slough Ests	258	154	
Smith (W.H.) A	601	445	
Smith & Nephew	3,700	156½	
SmKl Beecham	4,000	496	+18
[illegible]	[illegible]	432	+15
Smiths Inds.	317	375	
Southern Elect.	298	446	−3
South Wales Elect.	171	515	+5
South West Water	636	480	−12
South West. Elect.	358	462	−1
Southern Water	1,200	[illegible]	−3
[illegible]	[illegible]	[illegible]	[illegible]
Utd. Newspapers	505	500	−1
Vodafone	6,800	388	−19
Warburg (SG)	1,600	550	
Wellcome	2,200	813	−1
Welsh Water	442	522	−2
Wessex Water	1,400	582	−5
Whitbread 'A'	697	452	−12
Williams Hldgs.	675	284	
[illegible]	881	184	
Wimpey	98	112	−2
Wolseley	182	[illegible]	−2
Yorkshire Elect.	258	486	+2
Yorkshire Water	361	512	−5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	[illegible]	Jan 18	Feb 1
Option Declarations:	Jan 14	Jan 28	Feb 11
Last Dealings:	Jan 15	Jan 29	Feb 12
Account Day:	Jan 25	Feb 8	Feb 22

*New time dealings may take place from 8.30am two business days earlier.

Standard deflects bid talk

BANKING group Standard Chartered sought to deflect swirling takeover speculation as its shares outpaced the market to add a net 28 at 630p by the close of trading.

Gossip mongers had it that Lloyds Bank might be preparing an offer for the bank that is now benefiting from its exposure to the Pacific rim boom. There was also alternative talk that Lloyds might have placed *a large block of shares at a* premium to the underlying price. However, Standard said the rise followed a dinner on Tuesday night hosted by the US investment bank Goldman Sachs. Institutional clients met the bank's *chief executive* Mr Malcolm Williamson and apparently left reassured. A bank spokesman said yesterday: "There has been some buying that was initiated from the sentiment at the meeting."

There have been rumours for some time that Lloyds is seeking to make a bid within the banking sector but most analysts believe it is still licking its wounds following the failure to acquire Midland. Banking specialists added that Standard shares were already at a 50 per cent premium to asset value when trading started yesterday and offered a very expensive way in. Lloyds closed unchanged at 499p.

Barclays dividend hopes

A "coincidence of buy recommendations" on Barclays, based on growing confidence that the bank will hold its dividend, gave a lift to the shares. The strength was helped by a shortage of stock in early trading and Barclays rose 20 to 397p on heavy turnover of 8.6m shares.

Hoare Govett, NatWest Securities and agency broker James Capel were all recommending Barclays yesterday arguing that in spite of anticipated heavy provisions for bad debts the bank will pay a 21.2p dividend when it announces full-year results on March 4.

Hoare Govett was advising clients to switch from NatWest saying its share price was at an unnecessarily big discount to Barclays. However, the general shift of perception in the sector boosted by news of a recovery in Citicorp's fortunes ensured that NatWest rose 10 *to 415p.*

Rank Xerox speculation

Further consideration of this week's restructuring decision by Xerox sent Rank Organisa*tion sharply forward as specu*lation mounted over the prospects for the US group to buy Rank's share of their Rank Xerox joint venture. On present multiples, Xerox might be expected to pay in excess of £800m for the 50 per cent stake, a sum which would go a long way to satisfying Rank's critics worried over the group's large debt burden of £999m. Such concerns have meant Rank has regularly been fingered as a *potential rights issue candidate* and undermined the shares performance.

Most analysts cautioned that Xerox's decision to quit the financial services business would be costly and that any decision on *Rank Xerox was* some time off. However, market anxiety about the UK leisure group's debt levels may be eased by such a prospect on the horizon. Analysts also expressed concern about the *capital gains tax that would be* levied on the deal. Rank shares, helped also by investors buying ahead of the dividend, advanced 13 to 714p in busy turnover of 1.1m.

Reuters weakened

News wire and electronic dealing group Reuters retreated as investment bank BZW issued a sell recommendation ahead of the figures on February 9. While BZW's Mr Paul Norris liked the company's fundamental position, he argued that revenue growth will only be 5 per cent in the coming year, adding: "On our price Reuters is the second most expensive stock in the Footsie after Rentokil."

He expects profits of £380m for 1992 and £425m for 1993. *The 1993 figure* is at the low end of the range of analysts' forecasts. Reuters shares closed 19 lower at 1354p and Mr Norris believes they are not worth buying until they fall below 1300p.

Insurance group Commercial Union rose 6 as a weighty piece of enthusiastic research from Smith New Court landed on clients' desks. *The 100-page* overview argued that investors were underestimating the strength of the life insurance business and the success of CU's UK expansion. Smiths has raised its 1994 forecast by £50m to around £800m and believes the share price should reach *750p within the next year.*

The presentation of new business figures from Legal & General prompted the shares to rise 10 on the claim that the headline figure had risen by 57 per cent. However, analysts *said that ignoring* "innovative accounting" the figure was significantly down, and on consideration, the shares fell back to close only 2 better at 433p.

Drinks stocks constituted the worst performing sector in the *market as a worrying trading* statement and technical factors combined to depress shares. Bear raiders were in evidence again in Allied Lyons as rights issue stories re-surfaced. Although the stories were discounted by the company, the shares lost ground, closing 12 adrift at 590p.

A pessimistic trading statement from Wolverhampton & Dudley took 5 off the shares to 565p and pulled Whitbread back sharply, off 12 at 452p. Regional brewers were also weakened by government hints that rules on licence applications would be relaxed, opening the prospect of more competition. After its recent mauling, Bass recovered on late betting considerations and advanced 3 to 582p.

Global advertising and mar*keting services group WPP saw* its share price jump 10 per cent after S.G. Warburg Securities published a comprehensive buy note on the stock. The analysis argues that the shares are trading on a multiple of only 10.3 times 1993 earnings compared with a sector rating of almost 15 times. On this basis, the house believes the shares would be more fairly valued at 87p. Yesterday they lifted 6 to 68p.

Vodafone rose following reports that the cellular market may be undermined by lower-priced mobile rivals. The shares tumbled 19 to 388p in bulky turnover of 6.8m.

Pharmaceuticals group Glaxo fell further on talk that it might be interested in a bid for US group Warner Lambert. However, the shares recovered with the market to close a penny better at 702p.

Initial disappointment at yesterday's retail sales figures evaporated as the details revealed better news from the larger high street stores. Argos rose 14 to 279p, Body Shop 11 to 144p, Dixons 8 to 233p and Marks and Spencer 5 to 317p.

Positive news leaked from an analysts visit to Unigate and the shares gained 6 to 330p. Unilever continued to benefit from its upbeat trading message to analysts this week and the shares added 8 to 1096p.

Disappointing results from Resort Hotels left the shares 2 shy at 40p. Betting stocks benefited again from the government's decision to allow late summer opening hours. Brent Walker added 1½ to 10½p, Ladbroke 4 to 189p and Stanley Leisure a muted 3 to 177p. A profits warning from Wembley sent the shares 2½ lower at 17p.

The market continued to be cheered by confirmation of the Taiwan Aerospace deal with British Aerospace and the shares broke through the 200p barrier to close up 8 at 202p, in trade of 6m.

Among other engineering stocks, IMI gave up 2 to 252p following a Smith New Court sell recommendation. Smith said the advice was because, "the rate of growth at the company will be below the average for the engineering sector in 1993."

The market continued to appreciate plans by British Steel to raise prices on some of its main products. The shares added 4 to 64½p, in brisk business of 10m which included a trade of 3m done at 62½, with a sizeable part of the demand said to have come from the US.

Investors took a court ruling in the US concerning asbestos claims to be good news for T & N. The shares gained 5 to 177p, with sentiment boosted by a buy recommendation from Carr Kitcat. The agency broker advised investors to switch into T & N and GKN, 2 better at 255p, and out of BBA and Laird Group, a penny off at 158p and 2 lighter at 291p respectively.

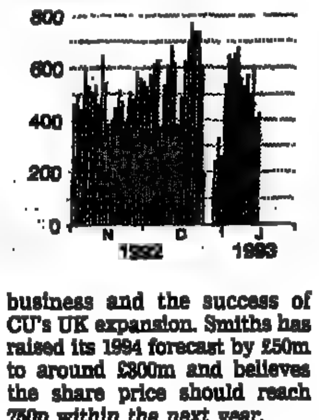
MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Peter John,

■ Other market statistics, Page 17.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



FINANCIAL TIMES EQUITY INDICES

	Jan 20	Jan 19	Jan 18	Jan 15	Jan 14	Year ago	High	Low
Ordinary share	2133.9	2124.7	2140.8	2138.6	2140.5	1961.8	2209.9	1670.6
Ord. div. yield	4.41	4.42	4.39	4.39	4.39	4.68	5.34	4.23
Earning yld % full	6.06	6.07	6.03	6.03	6.03	7.02	-	-
P/E ratio net	21.04	21.00	21.16	21.16	21.13	17.91	21.08	15.79
P/E ratio nil	19.41	19.40	19.55	19.55	19.52	16.89	-	-
Gold Mines	60.0	60.2	61.3	62.2	61.5	156.3	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2209.9 4/1/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2119.9	2128.0	2118.8	2120.7	2121.2	2129.3	2129.1	2123.0	2133.0	2133.9	2117.4

Volume	Jan 20	Jan 19	Jan 18	Jan 15	Jan 14	Year ago
SEAQ Bargains	27,269	26,834	28,754	31,646	26,618	27,489
Equity Turnover(£m)†	-	1113.4	889.7	1192.8	1205.5	1058.8
Equity Bargains†	-	29,951	35,486	36,305	32,003	26,588
Shares traded (mil)†	-	434.6	415.0	593.2	505.2	464.2

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (85).
AMERICANS (8) American T & T, BankAmerica, Chrysler, Citicorp, Echlin, Ford Motor, Ingersoll-Rand, Lowe's, BANKS (3) ABN Amro, Standard Chartd., TSB, BLDG MATLS (2) Kalon, Sheffield Insltns., BUSINESS SERVS (5) BPP, Chubb Sec., Rentokil, Serco, Time Prods., CHEMS (2) Engelhard, Hoechst, CONTG & CONSTRCN (2) Bellway, Westport, ELECTRICALS (4) Manvier-Swain, Neotronics, Pifco, Do A, ELECTRONICS (7) Admiral, Control Techs., Eurotherm, Learmonth & Burchett, Multitone, Telemetrix, Tunstall, ENG GEN (2) BSS, Mayflower, FOOD RETAILING (1) Farepak, HEALTH & HSEHOLD (2) Bespak, Tamaris, HOTELS & LEIS (1) Kunick 8¼pc Pf., INSCE BROKERS (1) Lowndes Lambert, INSCE COMPOSITE (2) AEGON, Allianz, INSCE LIFE (3) Liberty Life Assoc., Refuge, Utd. Friendly, INV TRUSTS (14) Abtrust New Thai, Albany, City Merchants High Yld., Cont. Venture, Leveraged Opportunity, Mezzanine, Do Cap. & Inc., Murray Enterprise, Do Zero Cv. '94, Murray Inc. B, Olim Zero Pf., Siam Fund, TR Far East Inc., Thai Euro. Fd., MEDIA (3) LWT 5.90525p Pf., Ulster TV, Watmoughs, MERCHANT BANKS (3) Close Bros., Schroders, Do N/V, MISC (7) Airsprung Furn., Brit. Thornton, Chemring, Danka, Heritage, Office & Elect., Portmeirion Potts., OIL & GAS (2) Pittencrieff, Sidlaw, OTHER FINCL (2) Perpetual, Provident Fincl, OTHER INDLS (2) Morgan Crucible 7½pc Pf., Vinten, STORES (4) Betterware, French Connection, GUS, Tie Rack, TELE NETWORKS (1) Cable & Wireless, TEXTS (2) Coloroll, Yorklyde, TRANSPORT (4) Dawsongroup, Forth Ports, P & O 6¼pc Pf., Tibbett & Britten.
NEW LOWS (11).
CONGLOMERATES (1) Jourdan (T), CONTG & CONSTRCN (1) BB & EA, INV TRUSTS (2) German Smllr. Cos Wts., JF Fledgeling Wts., MISC (1) Flagstone, PACKG, PAPER & PRINTG (1) Sappi, PROP (3) Five Oaks, Herring Baker Harris, Warnford, STORES (1) Body Shop, TEXTS (1) Cupid.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures once again had a volatile session as they reacted to a poor set of retail figures and speculation of a cut in base rates, writes Joel Kibazo.

Early selling *of the* March contract on the FT-SE, which had began trading at 2,748, *said to* have come from two leading US houses, was much in evidence and the contract responded by falling to 2,740. The late morning release of December retail figures pushed *March lower*, down to the day's low of 2,735.

However, bargain hunting and speculation of a cut in interest rates revived the fortunes of March. Together with the steady performance of short *sterling*, it helped pull the underlying cash market forward. It reached the day's peak of 2,761 just ahead of the close.

The March contract closed at 2,759, up 14 on Tuesday's close and 3 ahead of its fair value premium to cash of about 8. *Turnover improved* to reach 9,845.

Traded options experienced moderate activity with turnover totalling 24,734 lots. Business in the *FT-SE 100* option was poor and volume was a mere 6,381 lots and that of the Euro FT-SE 706 contracts. Hanson was the most active, and it traded 2,219 lots with the February 220 calls the busiest series. It was followed by British Steel at 1,706, and by BTR at 1,395 contracts. Glaxo and National Power were also busy.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2748.7 +11.1	2889.9 +4.0	1334.58 +4.39

	Jan 20	Day's change %	Jan 19	Jan 18	Jan 15	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2748.7	+0.4	2737.6	2763.1	2765.1	2522.0	5.46	4.45	19.89	3.43
FT-SE Mid 250	2889.9	+0.1	2885.9	2895.7	2890.6	2440.5	7.20	4.48	17.56	5.18
FT-SE-A 350	1353.4	+0.3	1348.7	1359.5	1359.8	1220.5	6.62	4.45	19.34	1.85
FT-SE SmallCap	1425.93	—	1426.02	1423.92	1418.58	–	–	4.48	–	1.89
FT-SE SmallCap ex Inv Trusts	1437.49	—	1437.27	1434.49	1428.09	–	6.39	4.74	22.42	1.77
FT-A ALL-SHARE	1334.58	+0.3	1330.19	1340.25	1340.16	1206.38	–	4.45	–	1.82
1 CAPITAL GOODS(211)	874.11	+0.3	871.72	877.92	875.64	781.65	6.47	4.92	20.25	1.27
2 Building Materials(27)	892.56	−0.3	895.07	903.58	899.77	848.49	5.72	6.05	24.89	0.77
3 Contracting, Construction(29)	716.81	−0.4	719.41	726.13	726.34	863.61	3.59	6.79	80.00†	0.20
4 Electricals(14)	2604.86	−0.2	2610.86	2597.57	2574.54	2507.41	6.21	5.57	21.14	[illegible]
5 Electronics(35)	2323.56	+0.2	2318.97	2304.14	2310.83	1731.72	6.77	3.67	18.67	13.48
6 Engineering-Aerospace(7)	317.64	+1.7	312.24	306.08	301.88	330.99	11.15	7.38	11.43	0.00
7 Engineering-General(52)	520.19	−0.3	521.67	523.38	522.17	485.83	7.76	4.58	16.47	0.98
8 Metals & Metal Forming(11)	333.48	+2.9	323.98	329.94	334.37	325.11	5.23	3.96	27.84	0.14
9 Motors(18)	384.25	+0.2	383.34	387.55	387.15	297.89	5.13	6.10	28.74	0.00
10 Other Industrials(18)	1957.13	+0.5	1948.15	1981.20	1983.98	1610.48	6.36	4.34	19.11	0.39
21 CONSUMER GROUP(232)	1701.40	+0.3	1696.57	1709.96	1704.86	1624.70	6.87	3.45	18.11	2.85
22 Brewers and Distillers(26)	1933.76	−0.6	1945.10	1947.74	1951.52	2056.62	8.64	3.92	14.01	10.14
25 Food Manufacturing(22)	1344.35	+0.2	1341.16	1338.47	1335.77	1224.78	7.82	3.88	15.98	1.46
26 Food Retailing(18)	3348.35	—	3347.42	3374.39	3357.79	2445.64	7.70	3.03	16.90	0.41
27 Health & Household(29)	4004.36	+0.8	3971.67	4032.90	4004.78	4408.02	5.56	2.83	20.98	0.54
29 Hotels and Leisure(20)	1295.15	+1.0	1282.18	1289.29	1280.01	1265.68	6.49	5.33	20.29	6.25
30 Media(33)	1817.30	−0.4	1823.75	1834.72	1833.10	1450.87	5.60	2.86	22.28	0.94
31 Packaging and Paper(23)	784.46	+0.4	781.26	788.39	792.75	748.40	6.82	4.14	18.10	0.21
34 Stores(39)	1107.16	+0.8	1098.67	1113.88	1108.90	1001.65	6.52	3.27	20.39	0.98
35 Textiles(20)	748.33	−0.1	749.04	746.75	750.34	612.22	6.58	4.24	19.24	0.00
40 OTHER GROUPS(143)	1422.26	—	1422.06	1435.17	1441.33	1193.50	8.61	4.88	14.31	3.04
41 Business Services(27)	1548.02	−0.5	1555.09	1565.50	1572.90	1396.62	5.79	3.32	21.29	5.14
42 Chemicals(24)	1429.06	−0.4	1434.25	1442.96	1442.86	1457.30	6.41	5.12	19.65	0.30
43 Conglomerates(11)	1404.78	+0.4	1398.82	1408.17	1418.33	1340.06	7.56	7.80	15.13	1.63
44 Transport(16)	2765.23	+1.0	2736.60	2738.14	2748.92	2422.06	8.15	4.30	14.76	1.04
45 Electricity(16)	1553.47	−0.1	1555.07	1576.79	1589.96	1149.65	13.95	4.89	9.21	15.54
46 Telephone Networks(4)	1618.78	+0.3	1613.59	1638.68	1645.03	1344.45	8.23	4.23	15.80	1.56
47 Water(13)	3173.45	−1.1	3209.14	3233.23	3270.63	2224.32	14.40	5.59	7.72	11.83
48 Miscellaneous(32)	2451.66	−0.3	2459.59	2475.33	2473.04	1805.46	5.90	4.19	21.01	0.36
49 INDUSTRIAL GROUP(586)	1408.56	+0.2	1405.86	1417.36	1416.81	1275.40	7.28	4.20	18.01	2.45
51 Oil & Gas(18)	2117.88	+0.5	2107.67	2116.66	2113.74	2173.39	6.30	6.12	20.85	0.00
59 "500" SHARE INDEX(604)	1477.57	+0.2	1474.32	1485.82	1488.09	1355.72	7.28	4.39	17.23	2.31
61 FINANCIAL GROUP(96)	885.22	+1.1	875.58	882.39	884.61	729.16	3.09	5.11	89.47	0.08
62 Banks(9)	1215.94	+1.7	1195.48	1201.66	1211.45	877.67	4.96	4.85	30.48	0.00
65 Insurance (Life)(8)	1771.32	+0.1	1769.67	1793.83	1782.74	1430.38	2.86	5.13	61.71	0.00
66 Insurance (Composite)(7)	620.84	+0.6	617.22	629.74	626.67	514.32	‡	4.85	‡	0.00
67 Insurance Brokers(10)	783.51	+0.1	782.37	786.09	783.04	1017.19	7.74	6.81	17.35	0.00
68 Merchant Banks(6)	520.56	+0.3	518.93	520.90	519.12	462.60	6.21	4.39	16.01	0.00
69 Property(28)	643.70	+0.6	639.79	641.17	639.68	785.05	6.72	6.58	14.84	0.62
70 Other Financial(23)	302.93	+0.1	302.70	303.16	302.46	240.91	7.15	5.57	16.40	0.05
71 Investment Trusts(107)	1322.64	−0.2	1325.10	1324.43	1324.07	1187.52	–	3.18	–	2.07
99 FT-A ALL-SHARE(806)	1334.58	+0.3	1330.19	1340.25	1340.16	1206.38	–	4.45	–	1.82

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2730.7	2737.0	2727.7	2732.2	2733.6	2742.2	2741.6	2736.6	2748.1	2748.7	2727.6
FT-SE Mid 250	2880.8	2884.9	2883.3	2883.2	2880.1	2883.2	2884.2	2883.3	2889.7	2889.9	2878.0
FT-SE-A 350	1345.5	1348.3	1344.6	1346.3	1346.6	1350.2	1350.1	1347.7	1353.1	1353.4	1344.2

Gross dividend yield (ACT at 25%) FT-SE 100: 4.45%

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrctn	1417.0	1421.6	1416.0	1416.4	1416.2	1415.6	1415.6	1409.2	1410.7	1410.7	1419.6	-9.1
Health&H	1195.6	1196.1	1191.8	1197.3	1200.6	1205.9	1203.7	1198.3	1208.1	1207.3	1198.1	+9.2
Water	1323.7	1325.8	1320.6	1310.9	1306.0	1309.9	1309.9	1307.6	1311.3	1311.3	1326.1	-14.8
Banks	1449.0	1456.8	1452.7	1457.2	1464.3	1468.8	1467.7	1469.3	1476.3	1477.3	1452.6	+24.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500".
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]							

BRITISH FUNDS - Cont.

[illegible]							

BRITISH FUNDS - Cont.

[illegible]							

OTHER FIXED INTEREST

[illegible]							

Continued on next page

LEGAL NOTICE

KNITTING MACHINE ELEMENTS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at: The Leicestershire & County Chamber of Commerce, 4-6 New Street, Leicester on 2nd February 1993 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if they have delivered to me at Coopers & Lybrand, Abacus House, 32 Friar Lane, Leicester LE1 5RA, no later than noon on 1 February 1993, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated this 15th day of January 1993

L. Robert Bailey
Joint Administrative Receiver

ART GALLERIES

FLANDERS

The FT proposes to publish this survey on March 30 1993

For a full editorial synopsis and advertisement details,please contact:

Meyrick Symmonds
Financial Times (Benelux) Ltd
Rue Ducale 39, Hertogsstraat
B-1000 Brussels, Belgium
Tel: (02) 523 2816
Fax: (02) 511 0472

or

Rachel Hart
Tel: 071-873 3225
or write to her at:
Number One, Southwark Bridge, London SE1 9HL.

FT SURVEYS

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الأصل

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation System (SEAQ).
- ● "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Payment.
- f Indicated dividend yield, p/e ratio based on latest annual earnings.
- u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
- k Yield based on prospectus or other official estimates for 1992-93
- L Estimated annualised yield, p/e based on latest annual earnings.
- M Yield based on prospectus or other official estimates for 1993.
- Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,285 a year for each security shown, subject to the Editor's discretion.

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT2264. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline international telephone service.

Annual subscription £250.00 stg.

Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Grofund American	5	151.2	152.7	160.7	-0.90	0.00
AIB Grofund Equity	5	197.4	200.3	212.8	-1.60	3.27
AIB Grofund Euro	5	146.3	148.4	156.2	+1.00	0.42
AIB Grofund Ext Income	5	98.92	100.7	105.9	-1.30	2.93
AIB Grofund Gilt	3	75.18	76.20	77.53	[illegible]	[illegible]
AIB Grofund Japan	5	117.6	118.9	125.3	-0.80	0.00

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (◆) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (◆) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Sharp (Albert E.) & Co (1000)F
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex
Enquiries: 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European	5	101 40	101 40	107.20	-0 10	1 76
Intl Bond & Conv	5	119 00	119 30	125 60	..	5 75
Pooled Pension ‡	7	£143 7	147 6	157.9	..	5 75
Smaller Cos	5	57 79	59 58	62 72	..	—
UK General	5	111 70	113 40	119.40	-0.80	3 01

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	369 14	369 14	391 29	-1 40	5 27
Global Inc	5	53 32	53.32	56 52	+0 16	4 30
Brit Leaders	5	306 92	306.92	325.34	-2 62	3.14
Intl Leaders	5	171 16	171.16	181 43	+0 55	1 80
[illegible]	3½	50.25	51 53	53.54	+0 08	3.18

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Trust	6	48 23	48.23	51 30	+0.19	1.64
Far Eastern Tst.	6	52.35	52.99	56.37	-0.16	0 88
Smaller Cos	5	129 6	134.0xd	142.6	+0.1	2 97

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American ‡	5	261.8	262 4xd	277 6	+0 8	1.00
S & W Capital	5	108.4	108.4	116 1	-0 6	1 98
S & W Cash ‡	0	102.04	102.04	102.04	+0.01	[illegible]
S & W European	5	106 1	106.3	112.4	+0 6	0.99
S & W Far Eastern	5	105 6	106.7	112.8	+0.3	0.00
S & W Growth	5	115 7	117.2xd	123 9	-1.10	1.78
S & W Income	5	102.8	104.1	110 1	-0.60	5.62
S & W Magnum	5	114 2	114.2	122 4	-0 7	1 99
S & W Smllr Secs	5	275.6	281.7	298 0	[illegible]	[illegible]
S & W Thoroughbred	5	131 8	131.8xd	141 4	-0.8	1.78

Societe Generale Touche Remnant (1200)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Grwth	5¼	78.10	78 10	83.52	..	0
Eur Sp Sits Acc	5¼	41 52	41.52	44 10	..	0
Eur Sp Sits Inc	5¼	39.21	39.21	41 65	..	0
Far East Opps Inc	5¼	26 52	26.52xd	28 41	..	0
Far East Opps Acc	5¼	27 25	27 25	29 40	..	0

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Challenger	2½	87 41	87 41	89 44	+0.26	0 00
Short Dtd Gilt	1¼	107 4	107 4	108 8	..	4 47
U S Govmt Bond	1¼	[illegible]	[illegible]	[illegible]	[illegible]	0 00
Gilt Income	4	50 74	50 74xd	52.80	+0.10	8 69
Gilt Growth	4	63 07	63 07	65.65	+0.10	0 00
City Reserve	0	51.98	51 98xd	51.98	+0.01	6.92

Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AG 0705 388046

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stockmarket Fd F	5	63 06	63.29	67.32	+0.22	2 35

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Int'l Exmt Jan 20	638.3	648.8	-2.4	1.07

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071 214 1050 (general enquiries) 071 214 1004 (dealing)
Charitable Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Growth & Income	51.17	53.03	-0 82	4 9
Income Plus	48.59	49.56	-0 12	7.5

James Capel Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
European Exempt	£102.06	103.229xd	+0 849	3.24
Japanese Exempt	£99.2483	100 803	-0.181	—
Managed Exempt	£121.278	128.201xd	-0 476	3.43
North American Exempt	£96.1074	97 7065	-0.1503	1.23
Pacific Exempt	£99.3305	101.329	+0.182	—

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Inv Fund Dec 31	582.50	586 60	..	5.08
Fxd Int Sec Dec 31	151.95	152.70	..	9.50

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd.	647.2	688.6	-1.0	-
Adventurous Mngd.	156.0	166.0	-0.2	-
Cautious Mngd.	123.3	131.2	..	-
Cash Fd	316.4	333.5	.....	-
Property Fund	216.1	229.9	.....	-
Equity Fund	736.4	783.5	-1.3	-
Frd. Int. Fund.	405.9	427.8	+0.6	-
International	325.0	345.8	-0.3	-
High Income	573.5	610.2	[illegible]	-
Far East	429.3	456.8	+0.4	-
North American	437.1	465.0	[illegible]	-
Special Sits.	537.3	571.7	-1.5	-
Technology	447.8	476.4	-3.7	-
Extra Inc Fd.	314.5	334.6	-1.3	-
Convertible & Gilt Fd.	151.7	161.4	-0.2	-
American Income	175.6	186.9	-0.4	-
Gilt Fund 20	436.9	464.8	-0.6	-
European Fund	117.2	124.7	+0.5	-
Pref & Fixed Int.	111.0	118.1	+0.2	-
UK Blue Chip	114.9	121.1	-0.6	-
Recovery Fund	112.3	118.4	[illegible]	-
Equity Income Dist.	103.6	110.3	-0.3	5.03
Managed Dist.	99.2	105.6	-0.1	5.68
High Yield Dist.	102.3	107.8	+0.1	8.62
Pension Funds				
Balncd Gth Mngd Pens Acc.	751.0	790.6	-0.7	-
Adventurous Mngd Pens Acc.	163.6	172.3	-0.2	-
Cautious Mngd Pens Acc.	142.2	149.7	-0.1	-
Building Soc. Acc.	364.8	384.0	---	-
Property Pens. Acc.	294.2	309.7	-	-
Fix. Int. Pens Acc.	638.1	671.7	[illegible]	-
Equity Pens. Acc.	950.4	1000.5	+2.6	-
International Pens Acc.	300.2	316.1	-0.4	-
High Inc Pens Acc	645.9	679.9	-3.1	-
Tech Pens Acc.	314.4	331.0	-3.0	-
N American Pens Acc.	333.1	350.7	-1.5	-
Far Eastern Pens Acc.	432.1	454.9	+1.0	-
Special Sits Pens Acc.	440.7	463.9	-2.0	-
Extra Income Pens Fd.	384.4	[illegible]	-1.9	-
Convertible & Gilt Pens	184.3	[illegible]	-0.7	-
American Inc Pens.	200.4	211.0	-0.1	-
European Pens.	129.3	136.2	+0.4	-
Managed Cash Pens.	171.7	180.8	----	-
Pref & Fixed Pens.	130.0	136.9	+0.3	-
UK Blue Chip	121.4	127.8	[illegible]	-
Recovery Fund	119.8	126.2	-0.2	-
Unitised With Profits Pens.	108.2	113.9	.....	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	113.1	119.1	-0.30	-
JRA/Gartmore Managed	109.2	115.0	-0.10	-
JRA/St James's Place Mngd	116.1	122.3	+0.40	-
Deposit	100.3	105.6	.....	-
Far East	111.5	117.4	-0.70	-
Gilts	104.3	109.8	.....	-
Greater European	110.7	116.6	+0.60	-
North American	126.8	133.5	-0.50	-
UK Equity	114.0	120.0	-0.10	-
Pension Funds				
JRA/M&G Managed cap.	110.9	116.8	-0.30	-
JRA/M&G Managed acc.	114.7	120.8	-0.40	-
JRA/Gartmore Managed cap.	107.9	113.6	+0.40	-
JRA/Gartmore Managed acc.	111.6	117.5	+0.40	-
JRA/St James's Pl Mngd cap.	120.1	126.5	+0.80	-
JRA/St James's Pl Mngd acc.	124.3	130.9	+0.80	-
Deposit cap.	100.2	105.5	.....	-
Deposit acc.	103.6	109.1	.....	-
Far East cap.	107.2	112.9	-0.70	-
Far East acc.	110.9	116.8	-0.70	-
Gilts cap.	101.9	107.3	+0.10	-
Gilts acc.	105.5	111.1	+0.20	-
Greater European cap.	110.9	116.8	+0.80	-
Greater European acc.	114.7	120.8	+0.80	-
North American cap.	125.8	132.5	-0.80	-
North American acc.	130.2	137.1	-0.80	-
UK Equity cap.	112.8	118.8	+0.50	-
UK Equity acc.	116.8	123.0	+0.60	-

Royal Heritage Life Assurance Ltd

Peterborough Business Pk, PE2 6GG 0733 390000

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
Gth Govett Curr NAV Jan 15	$16.72			-
Paragon Plat Res Jan 4	£9.99			-
Paragon Stlg Res Jan 4	£11.32			-
SE Asian Wnt NAV Jan 14	$9.81			-
Govett Mgd Futs Jan 15	£14.15	15.47		-
Govett Mngd Futs Jan 15	$9.99	10.93		-
Alex Horizons Inc Jan 14	$15.76			-
Alex Horizons for Gwth Jan 14	$7.89			-
Dllr Geared Bd Jan 15	$7.30			-
IBI Global Funds Limited				
Intl Stlg Grwth	£20.76	21.86	+0.18	-
Intl $US Grwth	$18.01	18.97	+0.27	-
High Income Gilt	£25.98	26.93	-0.09	-
International Equity	£21.02	22.14	+0.19	-
International Bond	£22.99	23.84	+0.47	-
Managed Currency	£27.70	27.99	+0.06	-
Sterling Currency	£26.68	26.96	+0.05	-
US$ Currency	$37.86	38.26	+0.05	-
Irish £ Currency	I£15.53	15.70	+0.14	-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.04	11.51		-
R.F Offshore Inc Fd Ltd	£11.45	11.94		-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£9.54	10.33		-
Nelson Wilsn Wrld $/$	$10.67	10.92		-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	$		£- 21.1508	21.1598	[illegible]	-
Managed Capital Bd	$		£- 21.5283	21.5971	[illegible]	-
AIB Gradual Currency Fund Limited						
Stlg Mngd Currency	$		£-	11.0144	[illegible]	-
Sterling Currency Fd	$		£-	10.6230	[illegible]	-
Ecu Currency	$		Ecu-	11.0176	[illegible]	-
US Dollar Mngd Curr	$		$-	21.7226	[illegible]	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Acc)	5¼	[illegible]	0.887	0.917	[illegible]	0.7
[illegible]	[illegible]	[illegible]	0.515	0.381	[illegible]	3.1
Global Resources	5¼	[illegible]	0.402	0.430	[illegible]	0.5
Currency Funds						
Stlg Premium Income		£10.11		10.12	+0.01	6.4
Sterling		£-		23.67	..	6.1
US Dollar		$-		32.52	..	2.0
Deutschemark		DM-		61.08	+0.02	7.3
Yen		Y-		4224		2.4
Managed Multicurrency		£-	15.13	15.47	[illegible]	-

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port.	£2.438	2.560	....	1.18
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.76	9.81	+0.02	9.59
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Jan 14	$13.30	13.58		2.95
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	53.7	56.0		7.77
UK Equity Fd (z)	220.9	235.0		2.72
*Intl Bond Fd	96.0	99.0	-0.02	6.87
*Sterling Mngd Asset Fd.	539.6	569.0		5.80
*Sub day every Thurs.				
NatWest TrustCur Currency Fund (z)				
Dollar Class		$38.2654	+0.0013	-
Sterling Class		£27.0986	+0.0047	-
D-Mark Class		DM84.2366	+0.0447	-
Japanese Yen Class		Y7983.9878	+0.6213	-
Ashburton Replica Portfolio Ltd				
Ashburton Replica P'folio Ltd £	11.31	11.76		-
Ashburton Replica P'folio Ltd $	$10.49	10.90		-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Jan 14	$34.20	36.40		-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Grth Fd.	$3.7669	4.0031		-
Offshore Japanese Grth Fd	$0.9057	0.9625		-
Offshore Am Grth Fd.	$6.7364	7.1588		-
Offshore Emerging Cos	$4.0828	4.3388		-
Offshore European Fd.	$1.5169	1.6121		-
Offshore Global Bond	$0.9682	1.0086		-
Offshore Global Bond Acc.	$0.9682	1.0086		-
Offshore Far Estrn Fd.	$2.3124	2.4574		-
Offshore UK Growth Fd.	$2.0433	2.1715		-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Jan 15		$4.12		-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£15.35	15.50		1.43
LFM Defensive Strtgy	£11.18	11.76		-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (z)†	100.50	101.60	+0.50	7.58
International Bond (z)†	$1.141	1.153	+0.004	4.94
†Prices on Jan 20 Next dealing Jan 27				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling		£36.7417	+0.0408	5.82
US $		$48.8395	+0.0184	2.15
D-Mark		DM83.9398	+0.1193	7.88
Swiss Franc		SF77.8415	+0.0583	4.57
Yen		Y5171.47	+2.57	2.53
Scimitar Worldwide Money Fund Ltd				
Sterling		£25.6608	+0.0050	7.55
US $		$37.2792	+0.0023	2.67

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
...ged	HK$10.97	11.61	+0.02	-
...e Capital Tst.	$20.02		+0.01	-
...Fund	$9.99			-
Wellington Fd Mngrs (Bermuda) Ltd				
...Growth Fd.	$12.91	13.55		-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)		$11.91	+0.02	-
Wells Fargo B Shs (z)		$11.67	+0.07	-
...ldwide Limited				
...Nov 30.		$90.84		-
...las International Investment Fd Ltd				
...s Int US$ Acc.		$1.1505		-
...s Int ECU Acc.		Ecu1.1439		-
...s Int ECU Dis.		Ecu1.0518		-
Yamaichi Capital Mngmt (Guernsey) Ltd				
...ow Fund		$13.13		-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. o Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). z Offered price includes all expenses except agent's commission. y Previous day's price. ¶ Guernsey gross. # Suspended. ♦ [illegible]. † Ex-subdivision. ☐ Only available to charitable bodies. ♦ Yield column shows annualised rate of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Worries over Solidarity Pact

THE DOLLAR remained under pressure against the D-Mark yesterday, falling to DM1.60 in European trading, as the markets ruled out any chance of a policy easing by the Bundesbank today, *writes James Blitz.*

Speculation of a cut in official German rates at today's council meeting was all but killed after the Bundesbank conducted a neutral weekly intervention in the German money market.

The Bundesbank imperceptibly eased the lowest accepted tender for 14-day funds to 8.59 per cent, and drained liquidity from the market.

Prospects for a narrowing of the differential between short-term German and US rates were further dampened as German trade unions criticised the Bonn government's "federal consolidation programme" launched yesterday.

The plan is one of the most ambitious attempts to rein back social spending and industrial subsidies in Germany since the war. But the German Trade Union, DGB, said yesterday that it would not support a solidarity pact which contained the government's proposals. Agreement on the pact is seen as a crucial precursor to aggressive interest rate cuts by the Bundesbank.

A sign of the dollar's weakness was that it closed down nearly ¼ a pfennig against the D-Mark in London, at DM1.6065, despite the German currency's weakness against the Japanese yen in Asian trading the night before. The yen closed at Y77.8 against the D-Mark from a previous close of Y77.96.

In European exchange rate mechanism trading, the German currency continued to weaken against the French franc, which closed at FFr3.3800 to the D-Mark, some 5 pfennigs above its ERM floor.

If any source of uncertainty over the French currency remains, it is the high level of money market rates, with three month money rising yesterday to 11$\frac{15}{16}$ per cent.

However, Mr Michael Gallagher, Director of Economic Research at IDEA, the business information group, said that the Bank of France was deliberately keeping money market rates high as it sells French francs in an attempt to build up foreign currency reserves. A similar operation is thought to have been conducted for 3 weeks after the September French franc crisis.

Attempts by European central banks to replenish their reserves with D-Marks may even keep the German currency underpinned against the dollar for some time yet. According to Mr Gallagher, the Bundesbank's monthly report suggested that Frankfurt is still owed some DM60bn by European central banks in return for its interventions during the currency crisis.

Sterling lost exactly 2 pfennigs against the D-Mark, closing at DM2.4750, after the December retail sales figures in the UK dropped 0.7 per cent on the month, a figure that was far worse than expected.

£ IN NEW YORK

Jan 20	Latest	Previous Close
£ Spot	1.5400 - 1.5410	1.5450 - 1.5460
1 month	[illegible]	0.55 - 0.53pm
3 months	1.37 - 1.36pm	1.40 - 1.37pm
12 months	4.00 - 3.90pm	4.13 - 4.03pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan 20	Previous
8.30 am	81.1	[illegible]
9.00 am	81.1	[illegible]
10.00 am	81.1	[illegible]
11.00 am	81.2	81.3
Noon	80.8	81.3
1.00 pm	80.8	81.3
2.00 pm	80.7	81.2
3.00 pm	80.8	81.2
4.00 pm	80.6	81.3

CURRENCY RATES

Jan 20	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.891921	0.792033
U.S Dollar	3.00	1.37668	1.22266
Canadian $	7.27	1.75788	1.56109
Austrian Sch	8.25	15.6597	13.7977
Belgian Franc	7.75	45.7746	40.3754
Danish Krone	9.50	8.56088	7.53343
D-Mark	8.25	2.22692	1.96115
Dutch Guilder	7.75	2.67265	2.20907
French Franc	10	7.52700	6.63172
Italian Lira	12.00	2041.92	1796.29
Japanese Yen	3.25	172.773	152.796
Norway Krone	-	9.39653	8.29148
Spanish Peseta	-	157.674	138.784
Swedish Krona	11.50	9.97749	8.75181
Swiss Franc	5.50	2.04369	1.79450
Greek Drach	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

[illegible]

CURRENCY MOVEMENTS

Jan 20	Bank of England Index	Morgan Guaranty Changes %
Sterling	80.6	[illegible]
U S Dollar	66.1	-11.10
Canadian Dollar	94.3	-7.62
Austrian Schilling	114.8	+16.40
Belgian Franc	115.9	+1.47
Danish Krone	116.0	+11.32
D-Mark	125.2	+31.49
Swiss Franc	110.5	[illegible]
Dutch Guilder	119.4	+20.71
French Franc	110.1	-6.96
Lira	[illegible]	-32.72
Yen	150.9	+86.21
Peseta	100.2	-24.13

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1985=100) **Rates are for Jan 19

OTHER CURRENCIES

Jan 20	£	$
Argentina	1.5345 - 1.5370	0.9980 - 0.9990
Australia	2.2910 - 2.2930	1.4905 - 1.4915
Brazil	22174.6 - 22189.3	14419.7 - 14419.9
Finland	8.2930 - 8.3445	5.4360 - 5.4470
Greece	328.200 - 334.800	213.690 - 217.970
Hong Kong	11.8970 - 11.9160	7.7330 - 7.7340
Iran	2305.00*	1490.00*
Korea(Sth)	1212.85 - 1232.45	788.00 - 794.20
Kuwait	0.47000 - 0.47100	0.30500 - 0.30575
Luxembourg	50.85 - 50.95	33.00 - 33.10
Malaysia	3.9780 - 3.9880	2.5860 - 2.5870
Mexico	4.7740 - 4.7770	3.1040 - 3.1060
N Zealand	2.9890 - 2.9930	1.9435 - 1.9460
Saudi Ar	5.7610 - 5.7725	3.7495 - 3.7505
Singapore	2.5415 - 2.5475	1.6550 - 1.6560
S Af (Cm)	4.7130 - 4.7240	3.0690 - 3.0710
S Af (Fn)	7.3760 - 7.4300	4.7960 - 4.8310
Taiwan	39.00 - 39.15	25.35 - 25.45
U.A.E.	5.6465 - 5.6595	3.6715 - 3.6735

*Floating rate Iran Official rate £101.86 $66.00

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 20	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	143.386	138.784	-3.21	3.89	52
Portuguese Escudo	182.194	176.418	-3.17	3.85	49
Dutch Guilder	2.21958	2.20807	-0.66	1.22	18
Belgian Franc	40.6304	40.3754	-0.63	1.19	16
D-Mark	1.96992	1.96115	-0.45	1.01	18
Danish Krone	7.51410	7.53343	0.26	0.30	-25
French Franc	6.60683	6.63172	0.38	0.18	-37
Irish Punt	0.735334	0.739439	0.56	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jan 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5365 - 1.5620	1.5405 - 1.5415	0.53-0.51cpm	4.05	1.38-1.35pm	3.54
Canada	1.9705 - 1.9835	1.9720 - 1.9730	0.15-0.02cpm	0.52	0.25-0.04pm	0.29
Netherlands	2.7800 - 2.8070	2.7800 - 2.7900	¼-¾cdis	-1.35	⅝-1dis	-1.17
Belgium	50.85 - 51.55	50.85 - 50.95	4-8cdis	-1.41	13-20dis	-1.30
Denmark	9.4950 - 9.6080	9.4950 - 9.5050	2¾-5¼oredis	-5.21	10¼-13¼dis	-5.03
Ireland	0.9330 - 0.9395	0.9340 - 0.9350	1.00-0.70cpm	10.91	2.75-2.05pm	10.27
Germany	2.4720 - 2.4970	2.4725 - 2.4775	¼-¾pfdis	-1.52	⅞-1dis	-1.52
Portugal	222.25 - 224.95	222.25 - 223.25	124-135cdis	-6.98	367-392dis	-6.81
Spain	175.00 - 177.00	175.10 - 175.40	110-123cdis	-7.98	309-344dis	-7.45
Italy	2260.25 - 2283.60	2260.25 - 2261.25	9-11liredis	-5.31	30-33dis	-5.57
Norway	10.4610 - 10.5790	10.4750 - 10.4850	2¾-3¼oredis	-3.22	7¼-9¼dis	-3.10
France	8.3575 - 8.4505	8.3600 - 8.3700	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	11.0440 - 11.1780	11.0550 - 11.0650	[illegible]	[illegible]	[illegible]	[illegible]
Japan	191.95 - 194.85	192.00 - 193.00	[illegible]	[illegible]	[illegible]	[illegible]
Austria	17.40 - 17.63	17.40 - 17.43	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	2.2605 - 2.2815	2.2625 - 2.2725	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	1.2595 - 1.2685	1.2615 - 1.2625	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible] 12 Month 4.00-3.90pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5365 - 1.5620	1.5405 - 1.5415	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	1.6475 - 1.6555	1.6490 - 1.6500	[illegible]	[illegible]	[illegible]	[illegible]
Canada	1.2715 - 1.2820	1.2805 - 1.2815	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	1.8000 - 1.8095	1.8060 - 1.8070	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	32.95 - 33.10	33.00 - 33.10	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	6.1550 - 6.2050	6.1625 - 6.1675	[illegible]	[illegible]	[illegible]	[illegible]
Germany	1.6000 - 1.6105	1.6060 - 1.6070	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	144.30 - 144.55	144.45 - 144.55	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years [illegible] per cent; three years 5¼-5⅛ per cent; four years 5½-5⅜ per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan 20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.541	2.475	192.5	8.365	2.268	2.785	2261.	1.973	50.90	175.3	1.262
$	0.649	1	1.606	124.9	5.428	1.472	1.807	1467	1.280	33.03	113.8	0.819
DM	0.404	0.623	1	77.78	3.380	0.916	1.125	913.5	0.797	20.57	70.83	0.510
YEN	5.195	8.005	12.86	1000.	43.45	11.78	14.47	11745	10.25	264.4	910.6	6.556
F Fr.	1.195	1.842	2.959	230.1	10.	2.711	3.329	2703	2.359	60.85	209.6	1.509
S Fr.	0.441	0.679	1.091	84.88	3.688	1	1.228	996.9	0.870	22.44	77.29	0.556
H Fl.	0.359	0.553	0.889	69.12	3.004	0.814	1	811.8	0.708	18.28	62.94	0.453
Lira	0.442	0.682	1.095	85.14	3.700	1.003	1.232	1000.	0.873	22.51	77.53	0.558
C$	0.507	0.781	1.254	97.57	4.290	1.150	1.412	1146	1	25.80	88.85	0.640
B Fr.	1.965	3.028	4.862	378.2	16.43	4.456	5.472	4442	3.876	100.	344.4	2.479
Pta	0.570	0.879	1.412	109.8	4.772	1.294	1.589	1290	1.125	29.04	100.	0.720
Ecu	0.792	1.221	1.961	152.5	6.628	1.797	2.207	1792	1.563	40.33	138.9	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

Estimated volume 32,974 † Total Open Interest 450,952
† All Yield & Open Interest figures are for the previous day

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	NatWestminster	7
Allied Trust Bank	7	Duncan Lawrie	7	Northern Bank Ltd	7
AIB Bank	7	Equatorial Bank plc	7	Nykredit Mortgage Bnk	7.5
●Henry Ansbacher	7	Exeter Bank Limited	8	●Rea Brothers	7
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	9
Bank of Baroda	7	●Robert Fleming & Co	7	Royal Bk of Scotland	7
Banco Bilbao Vizcaya	7	Girobank	7	●Smith & Williamson Secs	7
Bank of Cyprus	7	●Guinness Mahon	7	Standard Chartered	7
Bank of Ireland	7	Habib Bank AG Zurich	7	TSB	7
Bank of India	7	●Hambros Bank	7	Unibank plc	7
Bank of Scotland	7	Hampshire Trust Plc	13.5	●United Bk of Kuwait	7
Barclays Bank	7	Heritable & Gen Inv Bk	7	Unity Trust Bank Plc	7
Brit Bk of Mid East	7	●Hill Samuel	7	Western Trust	7
●Brown Shipley	7	C. Hoare & Co	7	Whiteaway Laidlaw	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Yorkshire Bank	7
Citibank NA	7	Julian Hodge Bank	7		
City Merchants Bank	7	●Leopold Joseph & Sons	7		
Clydesdale Bank	7	Lloyds Bank	7		
The Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7	McDonnell Douglas Bk	7		
Credit Lyonnais	7	Midland Bank	7		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Sterling futures rise

THERE was a more bullish tone to sterling futures yesterday after a poorer-than-expected set of retail sales figures for December raised new hopes of a cut in UK base rates, *writes James Blitz.*

The UK's retail sales figure fell by 0.7 per cent after the market had been expecting sales to rise by 0.5 per cent on the month.

UK clearing bank base lending rate 7 per cent from November 13, 1992

Although the Chancellor has hinted that there will be no near-term cuts in UK base rates, the market believes that there is a strong chance of at least 50 basis points being taken off rates at the time of the March budget, which happens to fall one day before the maturity of the March short sterling contract.

The contract therefore rallied 10 basis points on the day, to close at 93.52, on hopes that anew stimulus to the economy will be needed.

At this level, it assumes that 3-month money in the spring will be at 6.48 per cent.

One dealer assumed that a ½ percentage point cut in base rates would bring 3-month money down to 6⅝ per cent, making this compatible with the price of the March contract.

Conditions in the sterling cash market were a good deal stickier, partly due to another large shortage forecast by the Bank of England, this time to the tune of £1.1bn. Dealers again appeared to be short of bills to offer the Bank, and there was late assistance of £380m. Three month money closed a touch firmer at around 6$\frac{13}{16}$ per cent.

The bullishness in sterling markets was the exact opposite of sentiment in Europe. Three month French francs again firmed to 11$\frac{15}{16}$ per cent from a previous close of 11¾ per cent. The March French franc contract also suffered another big setback, with the March contract falling 15 basis points to close at 90.14. The March Euromark contract was also off some 4 basis points to close at 92.07 at the end of the day.

The duller sentiment mystified some dealers, partly because the prospect for near-term official rate cuts in Germany seems much stronger than it was a week ago.

The Bundesbank may have dampened sentiment yesterday by its neutral intervention in the German money market, offering funds at a barely unchanged rate of 8.59 per cent and draining a small DM400m from the market. Only a minority of dealers expects a policy ease at today's Bundesbank council meeting.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan 20) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

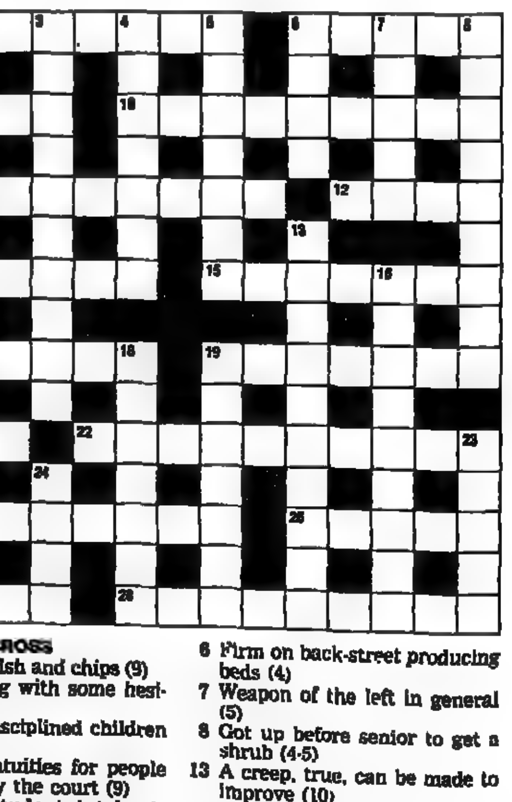
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,056 Set by VIXEN



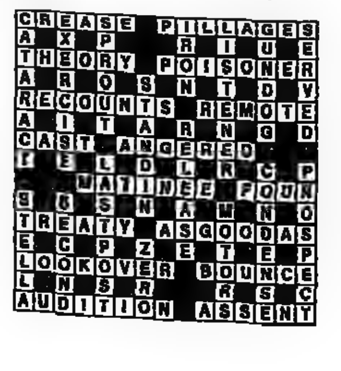
ACROSS

1 Go in after fish and chips (9)
6 Doctor a dog with some hesitation (5)
9 Susie's undisciplined children (5)
10 Stick in gratuities for people employed by the court (9)
11 The new student intake is among the very best (5,5)
12 Holiday charge around the end of August (4)
14 "Studies serve for delight, for ornament, and for ----" (Bacon) (7)
15 General hospital accommodation on the sheltered side (7)
17 It's an offence to urge a reform (7)
19 A tough guy - and plainly resilient (7)
20 A note somebody left (4)
22 No bloomer in the main! (3-7)
25 Popular bond - about right for that extra cash (9)
26 An assumed name one must enter unfortunately (5)
27 Choice offered by not all but some lecturers (5)
28 A charming woman! (9)

DOWN

1 The head may well be caught if he gets involved (5)
2 Circumspection and discipline shown in retirement (9)
3 Currently controlled (10)
4 Having to agree without reservation (7)
5 Placing NCOs in unimagined situation (7)
6 Firm on back-street producing beds (4)
7 Weapon of the left in general (5)
8 Got up before senior to get a shrub (4-5)
13 A creep, true, can be made to improve (10)
14 A marathon team standing by (9)
16 Recluse taking tea - no rich spread (9)
18 A quarter certainly hold the French to be lacking in vision (7)
19 A good man imprisoned by South African braggart (7)
21 Critical about hard though most suitable position (5)
23 Moderates like filling up survey (5)
24 Many an amphibian is agile (4)

Solution to Puzzle No.8,055



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WORLD STOCK MARKETS

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Tucson Elt	17,081,800	3⅛	+ ⅞
Citicorp	8,596,100	24⅝	+ 1
Eastman Kodak	5,994,400	49⅝	+ ½
BankAmerica	5,497,300	53¼	+ 3⅜
General Motors	5,438,700	36⅝	+ 1⅛
IBM	5,038,200	48⅛	- 1
RJR Nabisco	3,681,800	8⅛	- ⅛
Merck	3,460,400	40⅛	- ⅛
Philip Morris	3,400,800	70⅝	- 1
Chemical Bank	3,235,400	41⅝	+ ⅛

TRADING ACTIVITY

† Volume Millions	Jan 19	Jan 18	Jan 15
New York SE	283.110	195.980	247.350
Amex	17.136	14.475	13.733
NASDAQ	232.128	240.744	250.348
NYSE			
Issues Traded	2,429	2,427	2,427
Rises	960	968	1,249
Falls	878	885	599
Unchanged	591	574	579
New Highs	172	138	159
New Lows	20	14	13

	Jan 15	Jan 8	Dec 31	year ago (approx.)
Dow Industrial Div. Yield	3.17	3.19	3.14	2.83

	Jan 13	Jan 6	Dec 16	year ago (approx.)
S & P Industrial div. yield	2.59	2.58	2.58	2.78
S & P Indl. P/E ratio	26.70	26.85	26.78	23.24

CANADA TORONTO

	Jan 19	Jan 18	Jan 15	Jan 14	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2760.05	2777.54	2764.64	2748.41	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3288.10	3295.60	3306.58	3303.80	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1729.05	1734.18	1746.12	1748.45	1937.59 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

Euro Top-100 (26/6/90) 883.99 880.77 884.37 879.35 976.55

**Saturday January 16: Taiwan Weighted Price 3362.52, Korea Comp Ex. 691.31
♥ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., ... Overall and DAX – 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All ... (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday, 20 January, 1993

	Stocks Traded	Closing Prices	Change on day
Isuzu Motor	18.9m	348	-10
Minebea	6.9m	488	-5
Ashikaga Bank	3.6m	842	-1
Victor Co Japan	3.1m	800	
Chiba Bank	3.0m	855	+5
Nippon Steel	2.8m	285	-4
NGK Spark Plug	2.1m	919	+4
NKK	1.8m	241	+1
Sumitomo Metal	1.7m	260	-2
Mitsumi Electric	1.7m	1,160	-50

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:15 pm January 20

1992–93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12¼	11½	AAR Corp	0.48	3.9	22	115	u12⅝	12	12⅜	+¼
26⅛	25	A L Labs A	0.18	0.7	157	193	25⅜	25¼	25¼	-⅛
60	57½	AMP Inc	1.52	2.6	21	3821	58⅞	57⅝	57¾	-1⅛
70¼	65⅛	AMR			-	135791	68⅛	66¾	67¼	-½
2	1¼	ARX			13	2	1⅞	1⅞	2	
31½	29⅞	ASA	2.00	6.4	20	478	31⅛	30¼	31⅛	+¾
30¼	26¾	Abbott Lab x	0.60	2.2	18	17683	27⅝	26⅞	27½	+¾
11⅜	11⅛	Abitibi Pr x	0.50	4.4	4	3	11¼	11¼	11¼	
11	10¾	ACM Gvt In	0.96	3.3		267	u11	10⅞	11	+⅛
9½	9⅛	ACM GvOpp	1.21	13.1		80	9¼	d9⅛	9¼	+⅛
9⅛	8¾	ACM Gvt Sp	0.85	9.3		157	u9⅛	9	9⅛	
10⅞	10½	ACM Gvt Se	1.01	9.4		158	u10⅞	10¾	10¾	
10⅛	9⅞	ACM Man	1.18	11.8		1350	u10⅛	10	10	
9	8⅝	ACM Managd	0.78	8.7		242	u9	8⅞	9	+⅛
8¾	8⅛	Acme Cleve	0.40	4.7	16	26	u8¾	8½	8½	-¼
8⅞	6⅞	Acme Elect			167	144	u8⅞	8⅛	8⅜	-⅜
16	13⅞	Acuson			11	1004	14½	14⅛	14⅜	-⅛
20⅛	18⅝	Adams Expr	0.48	2.4	1	60	u20⅛	20	20	-⅛
49⅝	48½	Ad Micro	3.00	6.2		179	49	48¼	48¼	-⅛
20⅜	17⅝	Ad Micro P	3.00	14.7		73629	u20⅜	20⅛	20⅜	-⅛
6¾	5½	Advest Grp	0.16	2.5	13	138	6½	6¼	6⅜	+⅛
43¾	41⅛	Aegon ADR	1.35	3.0	6	135	u44½	43⅞	44⅜	+⅞
50¾	45⅞	Aetna Lf	2.76	5.5	14	1203	50	49½	50	
14½	11¾	Aflll A	0.24	1.8	17	644	13⅛	13	13¼	
35¼	33¾	Aflac	0.44	1.3	15	1722	34⅜	d33⅛	33¾	-½
22⅛	17¼	Ahmanson	0.88	4.4	97	335	20⅞	19¾	20	-1
7⅝	5¾	Aileen Inc			10	165	6½	6¼	6⅜	-⅛
48	45⅛	Air Pr Chm	0.86	1.9	18	3406	45⅝	d45	45¼	-⅜
21⅞	18⅛	Airbne Frt	0.30	1.4	120	483	21¾	20¾	21¾	+⅞
21½	20¼	Airgas Inc			30	141	20⅜	d20⅛	20⅛	-⅜
11¾	10½	Airlease	1.60	14.7	8	66	11⅛	10¾	10⅞	-⅛
102⅝	101	AlaPw8 16	8.16	8.0		z100	u102⅝	102⅝	102⅝	+⅛
104	102½	Alab 8.28C	8.28	8.0		z100	102½	d102½	103¾	+1¼
11	10½	AlaPwDpPf	0.87	8.0		2	10⅞	10⅞	10⅞	
18	16⅝	Alaska Air	0.20	1.2	5	468	17¼	16⅞	17	-⅛
15½	14¾	Albany Intl	0.35	2.4	59	95	14¾	14⅜	14⅜	-½
[illegible]										

EGYPT

With the country's economic reforms continuing apace, on the 15th April, 1993 the Financial Times will be publishing a major new survey on Egypt.

If you would like to advertise within this survey contact:

Paul Maraviglia
Tel: 071-873 3447
Fax: 071-873 3595

FT SURVEYS

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 - 93 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
87½	79¼	Xerox	3.00	3.5	19	1251	84¼	83¾	83⅞	-⅛
53⅛	53	Xerox4.125				z100	53	d53	53	
44⅛	34⅞	Xtra 1.94	1.94	4.4		29	u44⅛	44⅛	44⅛	
70⅞	62½	Xtra Corp	0.80	1.1	16	140	u70⅞	70	70⅜	+⅛
30⅞	29⅞	Yankee Egy	1.68	5.5	13	40	u30⅞	30	30⅛	+⅛
½	⅛	Zapata			48	620	u½	⅞	⅞	-1/16
6¼	5⅞	ZenithElec			2	434	6	d5⅞	6	
21⅞	19⅝	Zenith Nat	1.00	4.7	10	111	21⅛	21	21¼	+⅛
7	6½	Zenix Inc x	0.82	11.9		37	u7	6⅞	6⅞	-⅛
14⅞	13⅝	Zero Corp	0.40	3.0	20	25	13½	d13⅜	13⅜	
40⅞	38	Zurn Ind	0.88	2.2	45	67	39⅞	39¼	39⅞	
13⅛	12¼	Zweig Fund x	1.44	11.2		211	u13⅛	12⅞	12⅞	-⅛
10¼	9⅞	Zweig Tot	0.96	9.4		453	u10¼	10⅛	10¼	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm January 20

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
Solar Ph		48	136	7½	7⅜	7⅜	
Box Valley		2	282	u8⅛	8⅞	8⅞	+⅛
Bowmar		11	99	u2 7/16	2⅜	2⅜	-1/16
Bowne	0.30	10	218	u17⅛	16⅞	17⅛	+⅜
Brascan A	1.04	10	86	10⅛	10	10⅛	+⅛
Cal Engy		23	1388	u21	20⅝	20¾	+¼
Calprop		0	2	u1⅜	d1¼	1⅜	
Can Marc	0.23	8	10	10¾	10⅝	10⅝	
Chmbrs A	0.01	32	1600	5⅜	5⅛	5⅛	+⅛
Chambers		6	37	5⅜	5¼	5¼	
Champion		26	78	11⅝	11½	11⅝	
[illegible]							
Forest La		33	536	42⅛	41¾	41¾	-⅛
Frequency		26	28	u5⅛	4⅞	5⅛	
Fr ofLoom		20	1663	46⅛	45½	45⅝	+⅛
Giant FdA	0.68	18	296	22⅛	21¾	21¾	-⅛
Glatflr x	0.70	12	421	18	17⅞	18	+⅛
Goldfield		3	281	⅝	d½	⅝	+1/16
Greenman		6	28	4½	4½	4½	
Gulf Cda	0.34	3	343	2⅜	2 5/16	2⅜	+1/16
Hasbro	0.20	19	1850	u34⅞	34⅜	34⅝	+⅛
Health Ch		16	81	2 5/16	2¼	2¼	-1/16
[illegible]							
Moog A		6	36	6	5⅞	6	+¼
MSR Expl		2	3	⅞	d⅞	⅞	
Nat Patnt		11	60	3	2 13/16	2 13/16	-1/16
New Line		29	243	12⅞	12¾	12⅞	
NY TimesA	0.56	69	940	27⅝	27⅛	27⅛	+¼
NthCanOil	0.17	44	5	8	8	8	+⅛
Numac O&G		2	97	u4⅞	4⅝	4⅞	+3/16
NV Ryan		1	200	13/16	⅞	⅞	
Odetics A		90	69	u7⅜	6⅞	7¼	+⅜
Oiston	0.32	32	512	39½	39⅜	39½	
Pegasus G	0.10	28	1677	13⅞	12⅞	13⅜	+½
Perini	0.80	16	66	18	17⅞	18	+⅛
Pet HMP	1.14	11	6	17¼	d16⅞	16⅞	-⅜
Phil LD	0.25	9	629	34⅝	33⅞	34⅛	+1½
Pitway A	1.10	16	42	34¼	34½	34¾	+⅛
[illegible]							
UtdFoodsB	0.20	6	z100	1⅞	1⅞	1 13/16	+1/16
UnivPats		51	7	9⅞	d9⅝	9⅞	-⅛
US Cellul		100	20	23¼	23¼	23⅛	
WangLab C		0	11	1 11/16	1 11/16	1 5/16	-⅛
WangLab B		0	1709	u1/16	d⅛	1/16	
Weatherfd		110	593	5½	5⅜	5½	+⅛
Westamer x	0.52	10	60	23½	23¼	23¼	-⅛
WRIET	1.12	19	191	u13⅝	13½	13½	-⅛
Worthen	0.15	10	145	25½	24⅞	25⅛	+⅛
Xytronix		6	26	6⅞	6½	6⅝	

NASDAQ NATIONAL MARKET

3 pm January 20

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

US markets steady after inauguration

Wall Street

US stock prices moved in a narrow trading range yesterday morning, with blue chip issues holding their ground and secondary stocks posting modest gains, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 2.17 at 3,258.16. The more broadly based Standard & Poor's 500 was 0.66 firmer at 435.79, while the Amex composite was up 1.60 at 405.44, and the Nasdaq composite 1.76 higher at 698.57. Trading volume on the NYSE was 165m shares by 1 pm, and rises outnumbered declines by 896 to 776.

There were no new economic statistics released yesterday, which meant that the market's attention was primarily focused on the inauguration of President Bill Clinton.

Some analysts had been nervous that the market might react negatively if the new president referred to substantial economic stimuli in his speech; but, in the event, Mr Clinton avoided specific references to economic policy and the speech passed with no significant reaction from investors.

The news that the Iraqi government had made conciliatory offers to the incoming administration aided market sentiment, primarily because it led to a drop in crude oil prices on world commodity markets.

Drug stocks, which have languished lately, were in strong demand. US Surgical was the highlight, rising $5½ to $74½ in volume of 1m shares as investors reacted positively to the news, released late on Tuesday, that the company earned a profit of 64 cents a share in the fourth quarter, up from 48 cents a share a year ago.

Also notably firmer were Merck, up $1 at $41⅝, Pfizer, $2⅝ higher at $63⅝, Schering-Plough, up $1⅞ at $58, and Johnson & Johnson, up $⅞ at $46¼.

Tenneco fell $1½ to $40½ in busy trading on the news that Mr Michael Walsh, the conglomerate's chairman and chief executive, has been diagnosed as having a brain tumour. Mr Walsh said that he would continue to work while being treated with radiation and chemotherapy.

Among computer stocks, Unisys climbed $⅜ to $12⅜ after the company unveiled fourth quarter income before extraordinary items of $101.2m, up sharply from the $80.5m earned at the same stage of 1991. Also firmer was Digital Equipment, up $1 at $41⅜. IBM, however remained under selling pressure following the announcement on Tuesday of a record annual loss, and fell another $⅜ to $47⅜.

AMR, parent group of American Airlines, fell $¼ to $67½ after announcing a fourth quarter net loss of $200m, an indication that US carriers continue to struggle in a highly competitive domestic market.

On the Nasdaq market, National Community Banks jumped $3 to $42 on the news that the company has entered into talks with an unidentified prospective buyer.

Canada

TORONTO was mixed in featureless trading which took the 300-stock composite index up 2.58 to 3,290.66 at 1 pm on volume of 27.1m shares.

Trading in Royal Trustco was halted after announcing it is seeking an alliance with another financial institution.

SOUTH AFRICA

SHARES prices fell back with the overall index closing down 22 at 3,360 as De Beers and Anglos both shed R1 to R65.75 and R93.50 respectively. The industrial index fell 19 to 4,521 and the gold index slipped 6 to 771.

Currency policies affect European turnover

Italy and Spain put in good second half performances writes **William Cochrane**, reviewing 1992 trading

In a pattern which begins with optimism and ends in disappointment, European bourses seem to be getting into the habit of producing better turnover figures in the first half of a given year than they do in the second.

This was the way in 1990, and again in 1991; and the same can be said for last year in aggregate, although there were distinct variations in individual countries.

The variations, however, make up a pattern of their own. The countries which did worse in the second half of 1992 than they did in the first included Belgium, France, Germany, the Netherlands and Switzerland, all supporting hard currency policies. Those which did better were Italy, Spain and the UK, all of which devalued during the second half of last year.

Mr James Cornish, European market strategist with NatWest Securities, which produces the figures, observes that it was a good year *in toto*. UK turnover rose by 20.4 per cent over 1991 as the devaluation effect combined with the perception that the UK, like the US, was entering economic recovery earlier than the rest of Europe.

Nearly all of the rest put up useful increases: France 8.4 per cent; Germany 6.4 per cent; Italy 8.8 per cent; the Netherlands 9.5 per cent; and Switzerland 6 per cent; with only Spain of the eight countries covered showing a decline, of 7 per cent.

Occasionally, some countries had an exciting time. France enjoyed itself, in stock market turnover terms, in June, September and December:

- in June following the Danish 'No' vote on the Maastricht treaty, and President François Mitterrand's decision to call an autumn referendum on the same subject;
- in September, along with most of Europe, on the partial collapse of the European Exchange Rate Mechanism, following a fall in the dollar at the beginning of the month, the thin 'Yes' majority in the French referendum and resulting devaluations and currency floats;
- and, last month, as devaluation speculation against the franc combined with renewed critical appreciation of the French economy and the Paris equity market.

Germany had already had a stab at reflecting a decaying growth rate in the second half of 1991. Last year, it cranked itself up in January on hopes of interest rate cuts; but as those hopes effectively decayed, and the German economy moved into the prospect of recession, its equity market turnover showed a downward trend through most of 1992.

Mr Cornish observes that most of the investment into German paper was going elsewhere, into the bond market. The Bundesbank's tight grip on the monetary tiller was accompanied by figures for net foreign investment in German fixed interest stocks rising from DM5.5bn in the first quarter of 1992, through DM8.1bn in the second and DM17.8bn in the third, to DM28.9bn in October/December.

Italy positively mushroomed in October and November, as the devaluation effect combined with excitement stirred up by the privatisation prospect for a number of government-controlled companies.

Spain, with another strong final quarter performance, combined a small devaluation with a strong post-devaluation performance in the currency markets.

Switzerland, finally, was the Continental performance market of the year, as long term economic improvement weighed in the scales with its reputation as a safe haven – and its capacity to reflect this as an equity market with a preponderance of defensive stocks.

EUROPEAN TURNOVER FIGURES

Monthly total in local currencies (bn)

Bourse	Jan '92	Feb '92	Mar '92	Apr '92	May '92	Jun '92	Jul '92	Aug '92	Sep '92	Oct '92	Nov '92	Dec '92
Belgium BFr bn	55.9	46.7	48.3	51.4	40.8	40.6	34.8	41.4	42.8	47.6	43.9	43.4
France FFr bn	141.2	116.2	109.0	112.2	100.1	134.3	100.1	84.5	134.3	108.1	92.4	120.7
Germany DM bn	134.3	126.2	126.7	107.9	125.8	110.0	121.5	101.7	109.2	98.9	92.2	82.8
Italy L bn	9,655.2	8,948.8	5,944.8	7,457.2	9,747.6	8,594.8	11,975.6	6,039.6	10,809.0	17,122.0	24,248.8	14,210.7
Netherlands Fl bn	16.1	14.1	11.6	12.2	14.7	12.0	13.1	9.8	14.4	14.0	11.7	12.5
Spain Pta bn	637.3	667.8	607.3	461.5	513.5	515.4	538.6	317.5	578.8	687.7	819.3	790.0
Switz SFr bn	13.2	10.9	11.9	12.5	13.3	12.5	10.9	9.0	13.4	11.8	11.6	13.1
UK £ bn	36.4	29.6	32.6	41.1	35.4	34.1	34.3	26.7	45.3	39.8	39.6	39.1

Volumes represent purchases and sales. Swiss data estimated. Italian data adjusted to include off-market trading. Some figures may be revised. Source: County NatWest WoodMac

EUROPE

Paris lower on 5 per cent fall in Lyonnaise-Dumez

BOURSES saw mixed performances yesterday.

PARIS featured Lyonnaise-Dumez which was suspended after the shares had fallen more than 5 per cent, down *FFr25.30 at FFr435.50*, before forecasting disappointing 1992 earnings. The group, which was meeting analysts last night, also said that it would be setting aside large provisions.

The CAC-40 index closed 18.90 lower at 1,818.82 in good turnover of FFr3.1bn.

Sanofi and YSL, which both resumed trading having been suspended since Monday, reacted to the announcement *that Sanofi was to absorb the* latter in a share exchange of five of its shares to every four of YSL. Sanofi lost FFr117 or 10.7 per cent to FFr970 while YSL rose FFr133 or 21 per cent to FFr763.

Saint-Gobain declined FFr12 to FFr489 ahead of its 1992 earnings today.

FRANKFURT pondered the Bonn government's tax proposals, including the resumption and doubling of the solidarity tax surcharge, as well as a DM10bn increase in the forecast German budget deficit for 1993. It was a measure of the recent strength in equities, said dealers, that the DAX index fell only 3.95 to 1,574.88.

Turnover eased from DM6.3bn to DM6.2bn. Waning hopes of an interest rate cut from the Bundesbank today had little effect on equities, as the rumours came from the UK and were not accompanied by significant buying orders.

Individual shares were mixed. Deutsche Bank closed down DM6.80 at DM645, under pressure from a large sell order; but Hoechst extended its relative strength against BASF *and Bayer with a DM3.70 gain* to DM255.90.

MADRID was boosted by a cut in yields on three-month and six-month Treasury bills and the general index closed 4.50, or 2 per cent higher at 234.07 in heavy turnover of around Pta28bn.

The cuts encouraged expectations of an imminent easing in Spanish interest rates and fuelled buying in interest rate-sensitive stocks: in utilities, Iberdrola II led with a gain of Pta33 to Pta625; and in banks, BBV up Pta80 to Pta2,815.

However, there were also strong gains elsewhere, across the board in construction where Uralita put on Pta83 to *Pta756; and selectively*, but spectacularly, in chemicals where Argonesas rose Pta95 to Pta900.

AMSTERDAM featured Wessanen and Bols after they announced merger plans, with the former losing Fl 5.00 to Fl 98.50 and the latter gaining Fl 4.20 to Fl 47.00. The CBS Tendency index closed 0.6 higher at 98.9.

Elsewhere, publishers were mixed with Wolters Kluwer slipping 10 cents to Fl 87.30 and Elsevier losing 80 cents to Fl 122.90. VNU gained Fl 1.20 to Fl 122.90. Philips added 20 cents to Fl 22.80.

MILAN pulled up from early lows in steady trade. The burst of activity by small investors early in the week after a package of bourse-boosting measures was unveiled had mostly died down. The Comit index dipped 2.62 to 485.34.

Fiat had a mixed performance, closing down L111 at L4,378 but turning up in after-hours trading to L4,500.

Other leading shares echoed Fiat. Agro-industrial and chemical group Montedison fell L20 to L1,277 but moved up to L1,313 in late trading and insurer Generali fell L730 to L32,430 but picked up to L33,200 in the after market.

Fondiaria advanced by L855 *to L28,885 and continued up to L28,964 after hours following a* report, denied by the company, that it planned to sell subsidiaries to cut debt and that GAIC, the majority shareholder jointly run by Ferruzzi and Camillo De Benedetti, the Italian financier, wanted to cede control.

ZURICH ended little changed with the SMI index easing 1.2 to 2,062.7.

Roche certificates picked up SFr10 to SFr4,130 in active trade after Tuesday's SFr110 fall which followed a report that minute particles of asbestos had been found during analysis of two of the company's drugs.

Watchmaker SMH's registered shares fell SFr25 to SFr1,545 after Tuesday's SFr20 advance as investors gave further consideration to Volkswagen's decision to pull out of a joint venture to produce an environment-friendly city car.

Oerlikon-Buehrle's bearers fell SFr5 to SFr410 as its announcement that it will make a small group consolidated profit for 1992 after the previous year's loss came as little surprise.

BRUSSELS *saw gains in blue chips lift the Bel-20 index 5.07 to 1,150.74 as Tractebel moved* ahead for the second straight day with a rise of BFr120 to BFr8,130.

STOCKHOLM was disappointed that the central bank had not cut interest rates and the Affärsvärlden index lost 1.7 to 933.1 in turnover of some SKr576m.

Among the banks Handelsbanken dropped SKr1.50 to SKr40.50 while, elsewhere, Ericsson fell SKr1 to SKr185.

COPENHAGEN shares continued higher helped by a strong bond market and the prospect of political stability when a new Social Democrat-led administration is formed later in the week. The KFX index closed 0.61 higher at 81.77.

VIENNA featured a Sch35 rise in Austrian Airlines to Sch1,490 adding to its gains on Tuesday while the ATX index rose 0.46 to 731.1.

FT-SE Actuaries Share Indices

January 20							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1094.08	1094.12	1093.99	1091.97	1092.35	1091.89	1092.66	1091.84
FT-SE Eurotrack 200	1155.18	1156.77	1155.26	1153.75	1154.31	1153.58	1153.52	1153.29

	Jan 19	Jan 18	Jan 15	Jan 14	Jan 13
FT-SE Eurotrack 100	1090.81	1097.15	1089.58	1076.93	1063.02
FT-SE Eurotrack 200	1155.89	1166.50	1160.32	1154.08	1144.79

Base value 1000 (26/10/90) High/day: 100 - 1094.22; 200 - 1157.07 Low/day: 100 - 1091.58 200 - 1151.91

ASIA PACIFIC

Nikkei average declines on profit-taking

Tokyo

THE NIKKEI average fell for the first time in three trading days on profit-taking by dealers and liquidation of specified money trusts by corporate investors *writes Emiko Terazono in Tokyo.*

The 225-issue average fell 288.46 to 16,510.18, losing over 130 points in the last hour of trading. The index slid from the day's high of 16,841.78 in early trading on a weaker futures market, hitting a low of 16,507.37 just before the close.

Volume totaled 200m shares against 202m with declines outnumbering advances by 566 to 327 with 206 issues unchanged. The Topix index of all first section stocks fell 9.99 to 1,266.08 and in London the ISE/Nikkei 50 index rose 0.46 to 1,033.38.

Investors ignored calls for an urgent need for a discount rate cut by Mr Hiroshi Mitsuzuka, a leading member of the ruling Liberal Democratic Party. Policy makers and financial authorities have become increasingly nervous about possible turmoil in the market ahead of the March year-end book closing.

Dealers sold shares bought on short-term trading. Isuzu Motors, the day's most active issue, lost all of its morning gains, falling Y10 to Y348. A recent upgrading by Nomura Research Institute encouraged active trading, but profit-taking later set in. Minebea, the ball-bearings company, fell Y5 to Y468 in spite of reports of an earnings recovery forecast due to an increase in demand for ball-bearings.

Japan Airlines fell Y13 to Y571 after announcing that it will suspend its dividend payment for the year to March for the first time in six years. JAL saw a sharp decline in passengers on international lines and projects a net loss of Y40bn.

In Osaka, the OSE average fell 40.72 to 18,102.79 in volume of 42.6m shares.

Roundup

Some bright spots emerged among the regions markets.

AUSTRALIA closed higher led by encouraging company results and strong futures buying.

After a dull morning, the market kicked upwards after the release of improved interim profit results by MIM Holdings, 3 cents higher at A$2.32, and takeover target Arnotts, which closed steady at A$9.52, 2 cents above Campbell Soup's latest takeover offer.

The All Ordinaries index rose 2.7 to 1,521.8, after a low of 1,510.6.

HONG KONG was weaker as shrinking buying interest failed to outweigh mild profit-taking in thin turnover of HK$2.48bn. The Hang Seng index lost 20.88 to 5,877.02.

While a pre-holiday mood prevails in the market, which closes on Friday for four days for the Lunar New Year, the Sino-British row over Hong Kong is also helping to discourage buying interest at current levels.

Among other actives, Cheung Kong gained 30 cents to HK$20.20, while HSBC Holdings was unchanged at HK$60.

SINGAPORE shrugged off overnight losses to end higher in thin volume.

The Straits Times Industrial index rose 5.14 to 1,578.16 in thin volume of 45.5m shares against Tuesday's 67.11m. Falls led gains by 92 to 104. Inchcape rose 30 cents to S$6.85 and Singapore Press Foreign rose 30 cents to S$16.60.

KUALA LUMPUR closed mixed with the market lacking a clear direction.

Investors also remained cautious about building up positions due to the constitutional crisis over efforts to strip the country's hereditary rulers of their legal immunity.

The composite index closed down 1.51 at 622.61 in volume of 54.5m shares compared with Tuesday's 65.6m.

BANGKOK investors turned attention to banks and finance stocks and the SET index rose 12.43 to 961.30 on big turnover of Bt9.94bn.

MANILA was higher with the composite index 26.69 ahead at at 1,309.68. Philippine Long Distance Telephone added 35 pesos to 860 pesos in an active trading.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 19 1993								MONDAY JANUARY 18 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	119.51	−1.2	114.42	94.84	100.10	118.16	−0.7	4.11	120.99	115.76	96.09	101.62	118.97	153.68	108.18	147.87
Austria (18)	133.06	+0.5	127.40	105.61	111.45	111.62	+0.2	2.19	132.34	126.83	105.12	111.16	111.38	186.70	131.16	168.03
Belgium (42)	135.42	+0.9	129.66	107.47	113.42	110.88	+0.5	5.45	134.17	128.37	106.56	112.69	110.35	152.27	131.19	143.32
Canada (113)	112.90	−0.1	108.09	89.59	94.56	104.40	−0.1	3.16	113.02	108.14	89.76	94.92	104.47	142.12	111.36	140.78
Denmark (33)	202.28	+2.2	193.67	160.53	169.42	170.78	+1.9	1.80	197.86	189.32	157.15	166.18	167.65	273.94	181.70	265.69
Finland (23)	69.96	−2.0	67.00	55.54	58.61	79.52	−1.9	1.77	71.42	68.33	56.72	59.98	81.08	89.80	52.84	86.53
France (99)	148.91	+0.3	142.58	118.17	124.71	127.31	+0.0	3.53	148.44	142.03	117.89	124.67	127.31	166.75	136.93	152.48
Germany (62)	107.13	+0.8	102.57	85.03	89.72	89.72	+0.5	2.54	106.29	101.70	84.44	89.27	89.27	129.69	101.59	120.96
Hong Kong (55)	236.19	+0.1	226.13	187.44	197.83	234.59	+0.1	3.83	235.87	225.69	187.34	198.12	234.28	262.28	176.36	186.64
Ireland (16)	139.47	−2.0	133.53	110.69	116.81	119.28	−2.5	4.45	142.34	136.19	113.05	119.55	122.29	173.71	122.96	173.71
Italy (76)	60.32	+0.8	57.75	47.87	50.52	66.58	−0.1	3.12	59.86	57.28	47.54	50.28	66.64	80.86	47.47	78.48
Japan (472)	101.97	+0.9	97.63	80.92	85.42	80.92	+0.8	1.03	101.08	96.71	80.28	84.91	80.28	140.95	87.27	126.00
Malaysia (69)	259.90	+0.0	248.84	206.25	217.67	259.40	−0.2	2.56	259.85	248.63	206.38	218.24	259.95	282.42	212.49	223.04
Mexico (18)	1649.41	+0.1	1579.21	1309.01	1381.47	5602.20	−0.1	1.07	1648.43	1577.25	1309.27	1384.51	5605.19	1789.77	1185.84	1512.48
Netherland (25)	153.53	+0.1	147.00	121.85	128.59	126.97	−0.3	4.48	153.41	146.78	121.84	128.85	127.33	169.70	147.88	155.74
New Zealand (13)	41.80	+0.1	40.02	33.18	35.01	43.22	+0.3	5.07	41.77	39.97	33.18	35.09	43.08	48.52	37.39	46.11
Norway (22)	147.54	+2.0	141.28	117.09	123.57	138.17	+1.7	1.77	144.69	138.44	114.92	121.53	133.94	192.95	128.05	191.50
Singapore (38)	209.98	−0.3	201.04	166.64	175.86	160.19	−0.4	2.05	210.66	201.58	167.34	176.95	160.83	229.63	179.65	228.29
South Africa (60)	154.48	−1.8	147.90	122.59	129.38	162.91	−1.2	3.11	157.24	150.45	124.88	132.08	164.84	263.60	134.21	262.12
Spain (47)	126.51	+0.3	121.13	100.40	105.96	109.35	−0.2	5.55	126.14	120.69	100.19	105.94	109.56	161.72	107.10	156.03
Sweden (36)	162.92	+0.2	155.98	129.30	136.46	174.13	+0.1	2.47	162.59	155.57	129.14	136.56	174.02	200.28	149.69	186.07
Switzerland (56)	111.69	−0.5	106.94	88.65	93.56	102.07	−0.9	2.10	112.27	107.42	89.17	94.31	103.05	122.37	95.99	102.82
United Kingdom (226)	170.62	−0.9	163.36	135.39	142.89	163.36	−0.9	4.53	172.25	164.81	136.79	144.65	164.81	200.07	161.86	183.21
USA (522)	177.95	−0.3	170.38	141.23	149.05	177.95	−0.3	2.88	178.57	170.86	141.84	149.99	178.57	180.06	160.92	168.08
Europe (781)	137.31	−0.2	131.46	108.97	115.01	124.60	−0.4	3.79	137.56	131.62	109.26	115.54	125.07	156.88	131.31	146.69
Nordic (114)	150.52	+0.6	144.11	119.46	126.07	142.64	+0.4	2.15	149.59	143.13	118.82	125.64	142.02	188.52	141.24	187.19
Pacific Basin (715)	107.03	+0.7	102.48	84.95	89.65	86.72	+0.7	1.39	106.28	101.69	84.42	89.27	86.15	141.97	93.70	128.48
Euro − Pacific (1496)	119.29	+0.3	114.21	94.66	99.91	101.82	+0.2	2.51	118.95	113.81	94.47	99.90	101.65	145.21	113.80	136.85
North America (635)	173.92	−0.3	166.52	138.05	145.70	172.97	−0.3	2.89	174.51	166.98	138.62	146.60	173.55	178.04	158.70	166.32
Europe Ex. UK (555)	117.11	+0.4	112.12	92.96	98.11	103.17	+0.0	3.26	116.69	111.65	92.70	98.03	103.19	132.98	111.33	127.69
Pacific Ex. Japan (243)	156.70	−0.4	150.03	124.38	131.26	146.15	−0.2	3.63	157.29	150.50	124.95	132.12	146.49	175.31	146.06	152.89
World Ex. US (1687)	120.42	+0.2	115.30	95.58	100.87	103.90	+0.1	2.52	120.13	114.95	95.42	100.90	103.75	146.91	115.99	139.21
World Ex. UK (1983)	135.86	+0.1	130.08	107.83	113.80	123.03	+0.0	2.46	135.73	129.87	107.81	114.01	122.99	150.58	127.21	144.54
World Ex. So. Af. (2149)	138.88	+0.0	132.97	110.23	116.33	126.25	−0.1	2.67	138.88	132.88	110.31	116.65	126.32	153.05	130.04	147.14
World Ex. Japan (1737)	159.83	−0.3	152.84	126.70	133.72	153.29	−0.4	3.22	160.12	153.20	127.19	134.50	153.83	165.40	151.93	160.86
The World Index (2209)	138.86	+0.0	132.97	110.22	116.33	126.60	−0.1	2.68	138.90	132.90	110.32	116.67	126.89	153.70	130.86	147.90

Latest prices were unavailable for this edition.